

POWER CORPORATION OF CANADA



Annual Report

For the Fiscal Year Ended December 31, 1999

Seventy-Fifth Anniversary

1925-2000

POWER CORPORATION OF CANADA

Financial Highlights For the years ended December 31

	(in millions of dollars, except per share information)	
	1999	1998
Total revenue	14,739	15,055
Net earnings	533	420
Operating earnings per participating share	1.76	1.42
Earnings per participating share	2.36	1.88
Dividends per participating share	0.49	0.44
Consolidated assets	57,652	58,925
Total assets and assets under administration	132,030	123,383
Shareholders' equity	3,450	3,145
Book value per participating share	14.64	13.83
Participating shares outstanding (<i>in millions</i>)	220.9	222.3

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Si vous préférez recevoir ce rapport annuel en français,
veuillez vous adresser au Secrétaire,

Power Corporation du Canada

751, square Victoria, Montréal (Québec) Canada H2Y 2J3 ou
bureau 2600, Richardson Building, 1 Lombard Place,
Winnipeg (Manitoba) Canada R3B 0X5

Power Corporation of Canada is a diversified management and holding company.

Power Corporation holds a 67.4 per cent interest in **Power Financial Corporation**, which in turn holds an effective equity interest of 79.5 per cent in Great-West Lifeco Inc. and 67.7 per cent in Investors Group Inc., and jointly holds with the Frère group a 54.4 per cent equity interest in Pargesa Holding S.A. Power Corporation also holds a 100 per cent interest in Gesca Ltée and Power Broadcasting Inc.

Great -West Lifeco Inc. holds a 100 per cent interest in The Great-West Life Assurance Company, which in turn holds a 100 per cent interest in Great-West Life & Annuity Insurance Company. Great-West also holds a 100 per cent interest in London Insurance Group Inc., which in turn owns a 100 per cent interest in London Life Insurance Company. Total assets and assets under administration of Lifeco and its operating subsidiaries are \$87 billion.

Great-West Life & Annuity Insurance Company operates in the United States of America providing employee benefits for small- to mid-sized businesses and meeting the retirement savings needs of employees in the public/non-profit sector.

The Great-West Life Assurance Company is a Canadian life and health insurance company providing group insurance and disability insurance products and offering a broad selection of insurance and retirement savings and income products, including a range of investment funds.

London Life Insurance Company provides individual life insurance products in Canada and operates internationally through its subsidiaries London Reinsurance Group Inc. and London Life International Corporation.

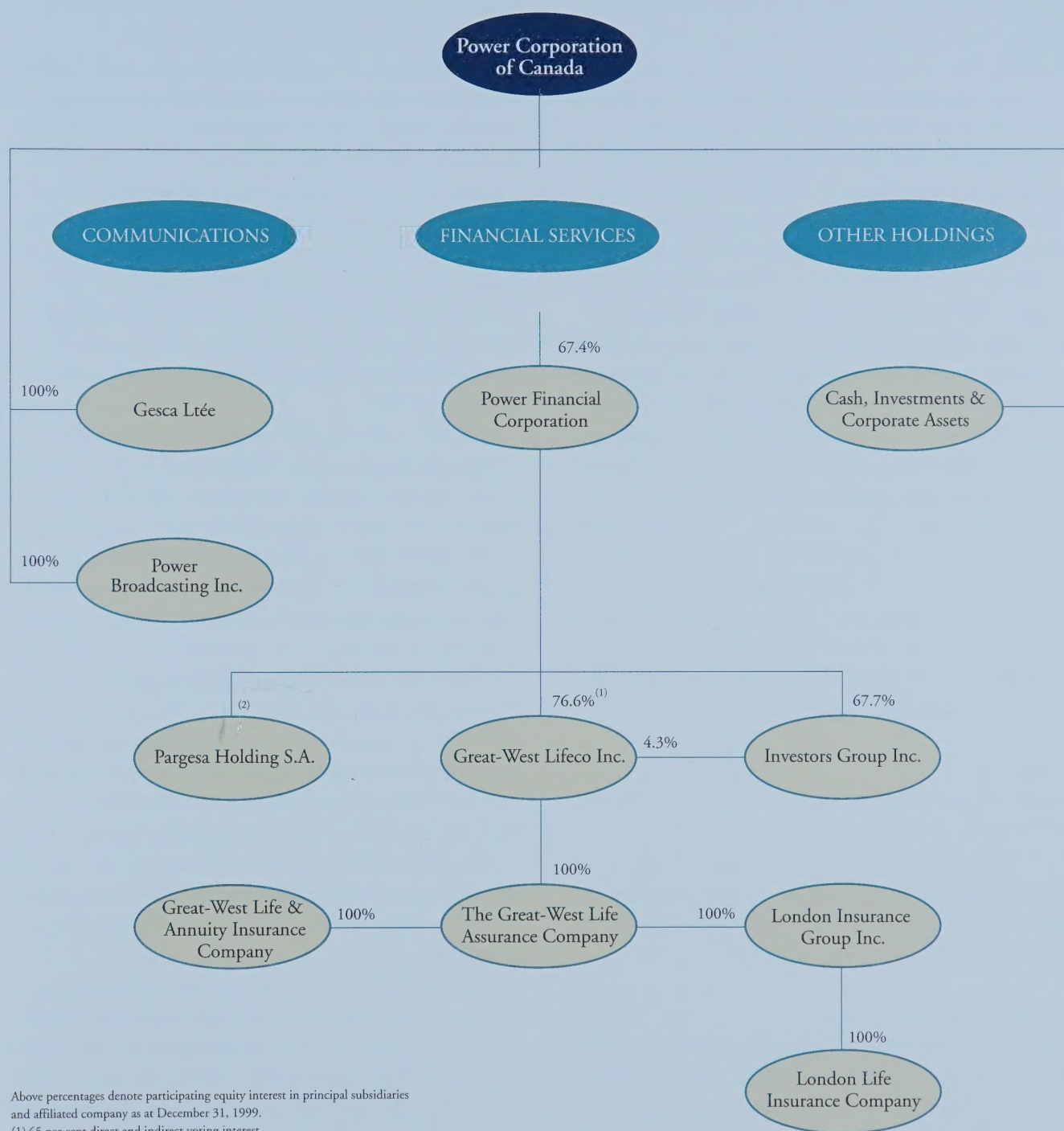
Investors Group Inc. provides personal financial planning services and related products in Canada with a dedicated sales force of 3,626 representatives. It offers mutual funds, as well as securities services and a wide range of mortgage and insurance products.

The Pargesa group holds significant positions in a selected number of large companies based in France, Belgium, Luxembourg, and Switzerland. These companies operate in strategic industries including communications, specialty minerals, utilities, and energy.

Gesca Ltée holds a 100 per cent interest in the Montréal daily newspaper "La Presse", three other daily newspapers, and several weekly newspapers based in the province of Québec.

Power Broadcasting Inc. operates programming services in the United States of America, in partnership with the Canadian Broadcasting Corporation.

GROUP ORGANIZATION CHART



Above percentages denote participating equity interest in principal subsidiaries and affiliated company as at December 31, 1999.

(1) 65 per cent direct and indirect voting interest

(2) Through its wholly owned subsidiary, Power Financial Europe B.V., Power Financial Corporation held a 50 per cent interest in Parjointco N.V. Parjointco held a voting interest of 61.1 per cent and an equity interest of 54.4 per cent in Pargesa Holding S.A. as at December 31, 1999.

Your directors are pleased to report the financial results of Power Corporation of Canada for the year 1999, its 75th year in business.

Power Corporation's share of operating earnings of its subsidiaries increased to \$407 million in 1999, from \$333 million a year earlier, due primarily to growth in operating earnings at Power Financial Corporation.

The Corporation's other operating items, which include income from investments, brought total operating earnings for the year to \$398 million or \$1.76 per participating share, as against \$319 million or \$1.42 in 1998. This represents an increase of approximately 24 per cent on a per share basis. Other income of a non-recurring nature in 1999 consisted primarily – as in 1998 – of the Corporation's share of net gains recorded by the Pargesa group. The Corporation recorded other income of \$135 million, or \$0.60 per share in 1999, on an equity basis, compared with \$101 million, or \$0.46 per share in the previous year.

The improved operating earnings of the Corporation's principal subsidiaries and the increase in other income brought Power Corporation's 1999 consolidated net earnings to \$533 million, or \$2.36 per share, compared with \$420 million, or \$1.88 per share, a year earlier. This represents an increase of over 25 per cent on a per share basis.

Dividends

Dividends paid in 1999 on the Corporation's participating preferred and subordinate voting shares increased to \$0.4875 per share, compared with \$0.4375 per share in 1998. Common share dividends were also increased during the year at Power Financial Corporation, Great-West Lifeco Inc., Investors Group Inc. and Pargesa Holding S.A.

Subsidiaries' Results

Operating earnings of Power Financial Corporation and its North American subsidiaries achieved record levels, while within the Pargesa group, operating income of its affiliates improved and substantial gains on sales of investments were achieved.

Power Financial's earnings from operations increased to \$612 million, or \$1.68 per share, in 1999, from \$505 million, or \$1.37 per share, in 1998, reflecting primarily further increases in the operating earnings of Great-West Lifeco and Investors Group. Other income of a non-recurring nature brought Power Financial's consolidated net earnings to

\$834 million, or \$2.32 per share, for the year, compared with \$678 million, or \$1.87 per share in 1998.

Great-West Lifeco again made the largest contribution to Power Financial's profitability in 1999. Lifeco's net income was \$569 million, compared with \$473 million in 1998, for an increase of 20 per cent.

Great-West Lifeco's subsidiary, The Great-West Life Assurance Company ("Great-West"), has reported that net income for 1999 reflects significant increases for both Canadian and United States operations, compared with 1998. Premium income, including self-funded premium equivalents and segregated fund deposits, was up significantly in health insurance, while fee income also increased strongly over 1998.

Great-West Lifeco's return on common equity was 17.1 per cent for the year and has averaged 15.4 per cent over the last five years. This represents an above-average return for the financial services industry.

Investors Group reported net income of \$236 million, as against \$188 million in 1998, an increase of 25 per cent. This is the eighth consecutive year that earnings have grown by at least 15 per cent.

Assets under management and administration by Investors Group at December 31, 1999 exceeded \$43 billion, compared with over \$38 billion a year earlier. Mutual fund assets were \$40.7 billion at year-end, compared with \$36.1 billion a year earlier. Investors Group's redemption rates remained among the lowest in the industry.

Together Great-West Life Canada, London Life and Investors Group have a sales force of over 7,000 – the largest network in Canada for the delivery of financial products and services with advice.

Power Financial's share of net operating earnings of its European affiliate was \$46 million in 1999, the same level as in 1998. In addition, Power Financial recorded other income of a non-recurring nature of \$235 million, primarily in connection with the tender by the Pargesa group of its PetroFina shares to Total, of its Monument Oil and Gas plc shares to Lasmo plc, and the completion of transactions by Imerys (formerly Imétal) and by CLT-UFA.

The Pargesa group's operating affiliates once again reported an increase in operating income: Imerys by 23 per cent, Totalfina by 13 per cent and Suez Lyonnaise des Eaux by 29 per cent. CLT-UFA recorded a net operating profit

of 122 million Euro (C\$193 million), compared with a loss in 1998. These increases are offset in Pargesa's net consolidated operating results by changes in the structure of its portfolio. While the group is the largest shareholder of Totalfina and Suez Lyonnaise des Eaux, representing more than 46 per cent of Pargesa's net asset value, these investments are accounted for on a cost basis meaning that only dividends received are included in the earnings of the Pargesa group.

Power Corporation's North American communications companies, Gesca Ltée and Power Broadcasting Inc., contributed net income of \$15 million in 1999, compared with \$14 million in 1998. Both companies recorded increases in revenues in 1999.

TRIO and Newsworld International, the two specialty television networks that Power Broadcasting operates in partnership with the Canadian Broadcasting Corporation, collectively have over 10 million subscribers in their target market, the United States. They are carried on the basic services of the DirectTv satellite system and of a number of U.S. cable operators. As for the sale of Power Broadcasting's Canadian radio and television broadcasting assets, this matter is discussed later in this report.

Preferred Share Issue

In June of 1999, the Corporation issued 6,000,000 Non-Cumulative First Preferred Shares, Series A which were priced at \$25.00 and carry a 5.60 per cent annual dividend. Proceeds from the issue were used to supplement the Corporation's financial resources and for general corporate purposes.

Group Developments

The year 1999 was an eventful one for the Power group in North America and Europe as well as in Asia.

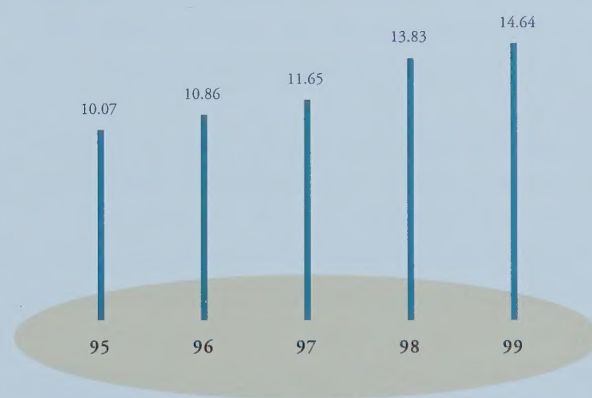
North America

In the United States, Great-West Life & Annuity Insurance Company ("GWL&A") entered into agreements with Allmerica Financial Corporation and General American Life Insurance Company to acquire their group life and health businesses. These agreements remain subject to final regulatory approvals. With over 3.3 million plan members, GWL&A becomes the eighth largest publicly owned managed care company in the United States.

During 1999, Investors Group completed the single largest product expansion in its history. It introduced eight new segregated funds in conjunction with Great-West Life and expanded its partner funds series by adding eight new funds managed by four new partners – Templeton Management Limited, AGF Funds Inc., Scudder Kemper Investments, Inc., and MAXXUM Fund Management Inc. This brings to 93 the number of funds offered by Investors Group. Its sales force also offers insurance products of Great-West Life.

During 1999, Lifeco consolidated its holding in Great-West Life and its subsidiary, London Life. As a result of two separate offers, Lifeco now owns 100 per cent of Great-West's common shares, while London Insurance Group now owns 100 per cent of London Life's common shares. The offers involved 1.8 per cent of London Life's common shares and 0.4 per cent of Great-West Life's common shares.

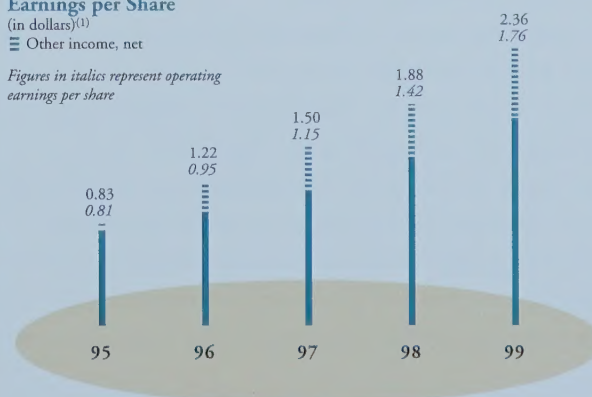
Book Value per Share
(in dollars)⁽¹⁾



Earnings per Share
(in dollars)⁽¹⁾

Other income, net

Figures in italics represent operating earnings per share



(1) Gives effect to the subdivision of the Corporation's participating shares effective July 9, 1998.

In September, Power Broadcasting reached an agreement to sell its Canadian radio and television broadcasting assets, consisting of 17 radio stations and 4 television stations in the provinces of Ontario and Québec, to Corus Entertainment Inc. for total proceeds of approximately \$115 million. The transaction, subject to closing conditions, is expected to be completed in the first half of 2000; when completed, it will result in a substantial gain for Power Broadcasting, which is wholly owned by Power Corporation.

Europe

In May 1999, Imétal completed the acquisition of English China Clays plc ("ECC"), a company listed on the London Stock Exchange, for \$1.9 billion. The acquisition made Imétal a major producer of white pigments, including kaolin and calcium carbonate, which are used in the pulp and paper, chemical and ceramic industries. During the second half of the year, Imétal completed the sale of Calgon Corporation, which belonged to ECC, and Copperweld Corporation, the metals processing business, for total gross proceeds of US\$1.1 billion. Under its new configuration, the group is now a world leader in value-added industrial minerals. In September, Imétal changed its name to Imerys S.A.

In June 1999, the French company Total completed its public exchange offer for all of the outstanding shares of PetroFina, creating Totalfina. On July 5, Totalfina announced a public exchange offer for Elf Aquitaine, a major petroleum company also based in France and approximately equal in size to Totalfina. Totalfina acquired 95 per cent of Elf Aquitaine, creating the world's fourth largest oil company. The European Commission approved the transaction in February 2000.

During 1999, Suez Lyonnaise des Eaux continued to develop its core businesses and to pursue international growth. It acquired Nalco Chemical Company and Calgon Corporation (from English China Clays, above) in the United States for US\$4.5 billion to become the world leader in water treatment. In the energy and waste management sectors, Suez completed public exchange offers for a total consideration of \$13.5 billion in order to buy out all the minority shareholders of Tractebel and Sita. It also acquired

80 per cent of the capital of Epon N.V., the Netherlands' leading producer of electricity, for \$2.5 billion.

During 1999 and early in 2000, CLT-UFA sold a 45 per cent interest in Première, the German pay-TV channel, for \$1.3 billion; purchased an additional interest in German free-TV station Vox for \$475 million, bringing its interest to 74.8 per cent; brought its interest in German television station RTL from 89 to 100 per cent for \$350 million; and also bought a further 6.4 per cent in Channel 5 in the United Kingdom and a further 2 per cent in M6 in France. At the end of 1999, GBL announced that it had reached an agreement with certain minority shareholders of Audiofina, the intermediary holding company that jointly controls CLT-UFA, to acquire their interests for \$1.5 billion. This transaction will significantly increase the group's interests in the communications sector.

Asia

In November, Power's subsidiary Power Pacific Corporation Limited and its joint venture partners, the transportation division of Bombardier Inc. of Montréal and Sifang Locomotive & Rolling Stock Works of Qingdao, a subsidiary of China National Railway Locomotive and Rolling Stock Industrial Corporation (LORIC), were awarded a \$345 million contract from the Ministry of Railways of the People's Republic of China to supply 300 high-grade inter-city passenger vehicles. This order also carries an option for 200 additional cars. The joint venture is investing \$110 million to establish its facility in the city of Qingdao in Shandong Province. It plans to manufacture a wide range of mass transit rail cars for the domestic and export markets.

Also, Power Corporation, through Asian subsidiaries, has invested \$358 million in shares of CITIC Pacific Limited, a publicly traded company based in Hong Kong. CITIC Pacific is a conglomerate with significant interests in the People's Republic of China, including Hong Kong, in infrastructure, communications, consumer goods trading and distribution, and property development.

The business and results of the Corporation's subsidiaries and affiliate are discussed in detail in the later section of this report entitled "Management's Discussion and Analysis of Operating Results".

Board of Directors

At their meeting held on May 20, 1999, the shareholders elected Mr. Jerry E.A. Nickerson and Dr. Emőke J.E. Szathmáry to the Board of Directors. Mr. Nickerson brings to Power Corporation the benefit of many years of experience in business in Canada. He is Chairman of the Board of H.B. Nickerson & Sons Limited. Mr. Nickerson is also on the Board of Directors of Power Financial, Great-West Lifeco, Great-West Life, Great-West Life & Annuity Insurance Company, London Insurance Group and London Life Insurance Company. Dr. Szathmáry is a leading Canadian academic and university administrator. She is President and Vice-Chancellor of the University of Manitoba and is a Director of Power Financial Corporation.

In 1999, Mr. William I.M. Turner, Jr. did not stand for re-election as he had reached the normal age of retirement under the Corporation's retirement policy. Mr. Turner was one of the longest-serving directors, having joined the Board of Power Corporation in 1966. He played an important role in the evolution of the Corporation. Mr. Turner held several senior executive positions with Power and its subsidiaries from 1964 to 1989 including President of Power Corporation of Canada from 1966 to 1970. He became President of Consolidated-Bathurst Inc. in 1970, its President and Chief Executive Officer from 1971 to 1982, and its Chairman and Chief Executive Officer from 1982 until its sale in 1989. The shareholders and directors are grateful for his contribution to Power Corporation's success.

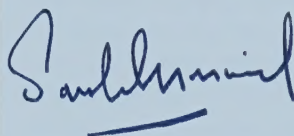
Outlook

Power Corporation has now been in business as a management and holding company for seventy-five years. A history of the Corporation has been provided to shareholders along with this annual report. The success of Power over that period, and its particularly strong growth in recent decades, can be attributed to its strategy of active management of focused long-term investments.

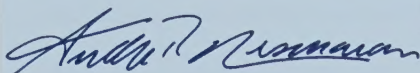
The businesses in the Power group represent excellent franchises providing sectoral and geographic diversification. As the numbers contained in this annual report demonstrate, these are leading companies producing above-average profitability over both the short and long term. We believe that the outlook for our group and for Power Corporation itself continues to be most favourable.

The Board of Directors wishes to recognize the efforts of the officers and employees of Power Corporation and its associated companies in producing rewarding financial results during the past year, and in positioning the Corporation and its affiliates for continued growth and prosperity.

On behalf of the Board,



Paul Desmarais, Jr.
Chairman and Co-Chief Executive Officer



André Desmarais
President and Co-Chief Executive Officer

March 31, 2000

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS

Except as otherwise indicated, all figures are expressed in Canadian dollars.

Power Corporation's principal asset is its 67.4 per cent interest in Power Financial Corporation (Power Financial), which holds substantial interests in the financial services field in Canada and the United States. Power Financial is the major shareholder of Great-West Lifeco Inc. (Lifeco) and Investors Group Inc. (Investors Group); Lifeco owns The Great-West Life Assurance Company (Great-West) which in turn holds 100 per cent of London Insurance Group Inc. (LIG) and 100 per cent of Great-West Life & Annuity Insurance Company (GWL&A). LIG in turn holds 100 per cent of London Life Insurance Company (London Life). These companies and their subsidiaries manage and distribute an extensive range of financial products and services to individuals and corporations as well as public and non-profit entities and constitute an important part of the assets and results of the Corporation.

Power Financial also holds, jointly with the Frère group of Belgium, a significant interest in Pargesa Holding S.A. (Pargesa). The Pargesa group has substantial holdings in a selected number of major Europe-based communications, specialty minerals, utility and energy companies which are solidly positioned in their respective markets.

Through its wholly owned subsidiaries, Gesca Ltée (Gesca) and Power Broadcasting Inc. (PBI), Power Corporation has a direct interest in the communications sector. Gesca is engaged in the publication of daily and weekly newspapers, and in the printing and publishing sector in Québec. PBI operates television and radio stations in Québec and Ontario and has interests in specialty television networks in the U.S.A.; in September 1999, PBI entered into an agreement to sell, subject to closing conditions, its Canadian television and radio assets.

Power Corporation also has investments in Asia which are part of the Corporation's long-term strategy.

Management's discussion and analysis of the Corporation's 1999 operating results focuses mainly on the operations of Power Corporation and each of the principal entities within the group. In addition to the consolidated financial results presented in this report, management has also prepared, as in previous years, condensed supplementary financial statements with its principal subsidiaries accounted for on an equity basis in order to facilitate the discussion and analysis of each of its activities. A discussion of the financial results, assets, liquidity and capital resources, and the outlook for Power Financial's subsidiaries and for Pargesa, have also been provided to give readers a better understanding of Power Corporation's underlying assets, earnings base and financial resources.

Power Financial, Lifeco and Investors Group publish a more detailed discussion and analysis of their results of operations and financial condition in their annual reports. Pargesa will publish its 1999 annual report in April 2000. Copies of the annual reports of Power Financial, of Lifeco

and its subsidiaries Great-West, LIG and London Life, of Investors Group and of Pargesa are available from the secretary of each of these companies or from the Secretary of Power Corporation.

Highlights of Operating Results

In 1999, Power Corporation posted net earnings of \$533 million, compared with \$420 million in 1998. Earnings per participating share amounted to \$2.36, compared with \$1.88 in 1998, a 25.5 per cent increase. Excluding Other income, operating earnings per participating share increased by 23.9 per cent, from \$1.42 in 1998 to \$1.76 in 1999. An analysis on an equity basis shows that:

- the increase in operating earnings is primarily due to the significant increase in the share of operating earnings from subsidiaries, mainly due to strong operating results recorded by Power Financial and to a lesser extent to increased income from investments;
- Other income amounted to \$135 million in 1999 (\$0.60 per share), against \$101 million in 1998 (\$0.46 per share).

Consolidated revenues for the year ended December 31, 1999 were \$14,739 million, compared with \$15,055 million in 1998, mainly due to a shift to administrative services only (ASO) and segregated funds products at Lifeco. Consolidated expenses were \$13,285 million in 1999 as opposed to \$13,818 million in 1998, due principally to a decrease in amounts paid to policyholders and beneficiaries. Again, this decrease reflects the shift at Lifeco from guaranteed contracts to ASO and segregated funds products.

Total assets and assets under administration of the Power Corporation group of companies stood at \$132,030 million at the end of 1999 (1998 – \$123,383 million).

Power Corporation's consolidated assets stood at \$57,652 million at year-end 1999, as against \$58,925 million at the end of 1998. This decrease is primarily due to the consequence of the shift from risk-based retirement products to segregated funds at Great-West Canada, and the impact of the decrease of the U.S. dollar when translating GWL&A's corporate assets into Canadian dollars.

Assets under administration increased to \$74,378 million in 1999 from \$64,458 million in 1998. These include the segregated funds of Lifeco which are predominantly used to fund pension plan obligations of policyholders and provide clients with a vehicle for investing in group and individual savings plans. The market value of these segregated funds was \$33,728 million as at December 31, 1999 (1998 – \$28,394 million). Investors Group's assets under administration, at market value, were \$40,650 million in 1999 (1998 – \$36,064 million). They consist of client assets invested in Investors Group's proprietary mutual funds and other co-branded funds. Lifeco and Investors Group earn fee income from the management and administration of these assets.

POWER CORPORATION OF CANADA

(In this section of the analysis, the principal subsidiaries are accounted for on an equity basis.)

Readers are referred to the condensed supplementary financial statements of Power Corporation further in this annual report. The supplementary financial statements set out the sources of the earnings, assets and capital resources of the Corporation.

Earnings

Share of operating earnings of subsidiaries

The Corporation's share of the earnings of its subsidiaries, Power Financial (excluding its share of Other income), Gesca and PBI, was \$407 million in 1999, compared with \$333 million in 1998.

As in the previous years, Power Financial was the major contributor to the increase in share of earnings; complementary information on the results of Power Financial and its subsidiaries and affiliate is found below in the corresponding sections of the discussion and analysis.

Corporate activities

In 1999, the net contribution from corporate activities was a charge of \$9 million, compared with \$14 million in 1998. These activities consist of income from investments less operating expenses, depreciation and amortization, and income taxes. Income from investments consists of interest and dividends received on the Corporation's cash and cash equivalents, net gains on the sale of securities and other investments, net of provisions for losses. The variance from 1998 is mainly due to an increase in income from investments.

Included in income from investments are gains recorded on the sale of marketable securities. Over the years, the Corporation has invested a portion of its cash in funds which, from time to time, make distributions in kind of securities at the time they go public. In 1999 (and early in 2000), the Corporation received securities of companies in the high-tech sector, which have performed very well on the stock market. Some of these securities have been sold and the Corporation has recorded the related gains. In other situations where potential additional upside has been identified, hedging techniques have been used in order to take benefit of part of this potential upside while limiting downside risk.

Other income

Other income, calculated on an equity basis, was \$135 million in 1999 (\$101 million in 1998), and consisted, as in 1998, of the Corporation's share in Other income of Power Financial, net of miscellaneous charges.

Assets and Liabilities

Cash and cash equivalents, composed of high-quality financial instruments (denominated principally in Canadian dollars at year-end), amounted to \$254 million, compared with \$296 million at the end of 1998. The net decrease in cash is mainly due to the purchase of marketable securities.

The carrying value of the investments in subsidiaries, accounted for under the equity method, increased to \$2.7 billion at year-end, compared with \$2.5 billion in 1998, and represents the Corporation's interests in Power Financial, Gesca and PBI. The increase is mostly attributable to the share of earnings of the subsidiaries, net of dividends received by the Corporation, partly offset by the impact of a weaker Swiss franc and U.S. dollar on the Corporation's investment in its subsidiaries.

Other investments amounted to \$419 million at the end of 1999 (1998 – \$265 million) and included \$292 million of marketable securities and \$127 million of unquoted securities.

Included in other investments are Asian initiatives. Power has grown its portfolio of investments in Asia centered on the People's Republic of China (PRC) including Hong Kong. While continuing to pursue direct investment opportunities in the PRC, especially projects in fast-growing sectors, leadtime to financial closure has been long. This, combined with the recent weakness in the Hong Kong equity markets, provided the impetus for enlarging the scope of Power's exposure to China through an investment in a Hong Kong-listed company: CITIC Pacific Limited (CP).

CITIC Pacific is a conglomerate with significant interests in Hong Kong and the PRC. Its stated long-term objective is to develop a large diversified business focusing on infrastructure, communications, consumer goods trading and distribution, and property development. CP is a subsidiary of CITIC Beijing, the leading state-owned trust and investment company reporting directly to the State Council of the PRC. At the end of 1999, the group held a 3.4 per cent interest in CP, at a cost of \$277 million; since the beginning of 2000, an additional 0.6 per cent has been acquired at a cost of \$81 million. This investment positions Power to participate in dynamic sectors of the PRC economy, including the development of Internet capable infrastructure and related value-added services.

In addition, the Corporation is also developing a portfolio of investments in projects which it believes have high-growth potential and strong business fundamentals, both in the Internet and related areas of the new economy as well as in infrastructure. The Corporation, through affiliates, has undertaken a limited number of selected projects in the PRC, with local and foreign partners. The joint venture with Bombardier Inc. and a Chinese partner, Sifang in Qingdao, to manufacture passenger railcars is on schedule. Work is underway to deliver in early 2002 China's first series of high-grade intercity passenger railcars, under the 300-car order signed in November 1999 with the Railway Bureau under the auspices of the Ministry of Railways. This portfolio of investments provides access to potentially large markets in the PRC; however, it will continue to take time to fully develop a platform for the Corporation in this part of the world.

The Corporation uses various financial instruments to hedge either foreign currency fluctuations on its holdings of foreign currency denominated temporary investments or marketable securities, or the value of marketable securities included in other investments. The principal objective in using financial instruments is to protect the value of assets and/or expected cash flows, and the use of these instruments is monitored on an ongoing basis by senior management.

Liquidity and Capital Resources

As mentioned above, Power Corporation held \$254 million in cash and cash equivalents at year-end 1999. In managing its cash and cash equivalents, the Corporation may invest in foreign currencies and thus be exposed to fluctuations in exchange rates. As at December 31, 1999, 98 per cent of cash and cash equivalents was denominated in Canadian dollars.

Cash requirements for the payment of dividends are met by dividend income from the subsidiaries and affiliates, other investment income, interest and dividends on cash and cash equivalents, and, when required, from the Corporation's cash position. The annual dividends declared on the participating shares of Power Corporation increased from \$0.4375 in 1998 (taking into account the two-for-one split) to \$0.4875 in 1999.

Shareholders' equity at the end of 1999 was \$3,450 million, up from \$3,145 million as at December 31, 1998.

The Corporation is predominantly capitalized by participating shares. In June 1999, the Corporation issued \$150 million of 5.60% Non-Cumulative First Preferred Shares, Series A. Additionally at year-end, there were 1,299,878 Cumulative Redeemable First Preferred Shares, 1986 Series outstanding with a carrying value of \$65 million. During the year, the Corporation purchased for cancellation 80,000 of these shares.

Participating shareholders' equity was \$3,235 million at the end of 1999 (1998 – \$3,076 million). This increase is mainly due to:

- retained earnings (+ \$371 million),
- partly offset by a decrease in foreign currency translation adjustments (– \$210 million). These adjustments relate

principally to the Corporation's indirect investment, through Power Financial, in Pargesa and in Great-West's U.S. operations; both the Swiss franc and the U.S. dollar weakened against the Canadian dollar.

In 1999, the Corporation issued 127,350 Subordinate Voting Shares pursuant to the terms of the Executive Stock Option Plan, which resulted in an increase in stated capital of \$1 million (2,057,220 shares, on a post-split basis, were issued in 1998, for an increase in stated capital of \$17 million).

During the year, the Corporation purchased and cancelled 1,509,100 Subordinate Voting Shares under its Normal Course Issuer Bid for an aggregate amount of \$35 million.

Book value per participating share was \$14.64 at the end of 1999, as against \$13.83 at the end of 1998.

Power Corporation, Power Financial and its subsidiaries and affiliates have substantial financial resources. The cash balances, together with credit facilities, enable the Corporation and the Power group of companies to enhance their positions in their respective sectors and industries and to position themselves to take advantage of selected opportunities on a timely basis.

Year 2000

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed.

During 1999, the Corporation undertook a number of initiatives designed to address the Year 2000 issue, as did its operating subsidiaries and its principal European affiliates.

Although the change in date has occurred and management of the Corporation is not currently aware of any Year 2000 issue that would have a material adverse effect on the operations of its operating subsidiaries or affiliates, it is not possible to conclude that all aspects of the Year 2000 issue that may affect the Power group of companies, including those related to customers, suppliers, business partners or other third parties, have been fully resolved.

Independent Ratings of Power Corporation Preferred Shares

As at December 31, 1999

Dominion Bond Rating Service

Canadian Bond Rating Service

Cumulative Redeemable First Preferred Shares, 1986 Series

Pfd-2 (high)

P-1

Non-Cumulative First Preferred Shares, Series A

Pfd-2 (high) n

P-1 low

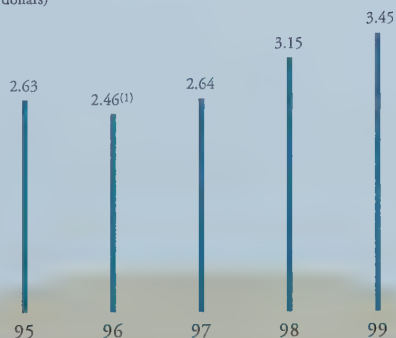
POWER CORPORATION OF CANADA

(In this section of the analysis, the principal subsidiaries are accounted for on the equity basis.)

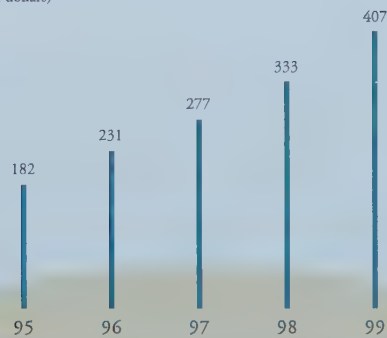
Condensed Supplementary Financial Statements December 31 (in millions of dollars)

	1999	1998
Condensed Statements of Earnings		
Share of earnings of subsidiaries	407	333
Corporate activities	(9)	(14)
Earnings from operations	398	319
Other income, net of income taxes	135	101
Net earnings	533	420
Earnings per participating share (in dollars)	2.36	1.88
Condensed Balance Sheets		
Cash and cash equivalents	254	296
Investments		
Subsidiaries and affiliate at equity	2,716	2,516
Other	419	265
	3,135	2,781
Other assets	228	226
Total assets	3,617	3,303
Accrued liabilities and other	167	158
Shareholders' equity		
Non-participating shares	215	69
Participating shareholders' equity	3,235	3,076
	3,450	3,145
Total liabilities and shareholders' equity	3,617	3,303

Power Corporation of Canada
Shareholders' Equity
(in billions of dollars)



Power Corporation of Canada
Share of Earnings of Subsidiaries
(in millions of dollars)



(1) In 1996, the Corporation purchased for cancellation 13.5 per cent of its participating shares.

POWER FINANCIAL CORPORATION

(In this section, the principal subsidiaries are accounted for on an equity basis.)

Readers are referred to the condensed supplementary financial statements of Power Financial further in this annual report. The supplementary financial statements identify the sources of earnings, assets and liabilities of the corporation.

Earnings

In 1999, net earnings of Power Financial were \$834 million, compared with \$678 million in 1998. On a per share basis, earnings per common share were \$2.32 in 1999, compared with \$1.87 in 1998. The increase in net earnings reflects an increase in both operating earnings (\$1.68 per share in 1999 as opposed to \$1.37 in 1998, a growth of 22.6 per cent) and Other income (\$0.64 per share in 1999 as opposed to \$0.50 in 1998).

The increase in operating earnings is mainly due to the significant increase in the earnings of Lifeco and Investors Group. Although operating companies within the Pargesa group reported in 1999 improved operating income, the corporation's share of earnings of its European affiliate has been affected by changes in the structure of its portfolio and, to a lesser extent, by the effect of currency fluctuations.

Readers are referred to the sections on Lifeco, Investors Group and Pargesa in this analysis for further discussions of the operating results of these entities.

Corporate activities

The net contribution related to corporate activities is a charge of \$9 million, unchanged from the 1998 level.

Other income

Other income was \$222 million in 1999, compared with \$173 million in 1998, and relates primarily to non-recurring earnings recorded by Pargesa.

Pargesa reported non-operating earnings of SF911 million in 1999, mainly as a consequence of the gains recorded in connection with the exchange offers made by Total for PetroFina (January 1999), by Lasmo plc for Monument Oil and Gas plc (in which Electrafina held 26.2 per cent) and of gains recorded by CLT-UFA and Imerys.

In 1998, Pargesa's non-operating earnings (restated by SF12 million, see footnote 2 below) were SF689 million, mainly as a consequence of the sale of Royale Vendôme and the ING securities received in connection with the sale of Banque Bruxelles Lambert that took place in December 1997.

Assets and Liabilities

Cash and cash equivalents, composed of high-quality financial instruments (denominated principally in Canadian dollars at year-end), amounted to \$362 million at the end of 1999, compared with \$341 million at the end of 1998.

Investments in subsidiaries and affiliate, accounted for under the equity method, aggregated \$4.3 billion at year-end, compared with \$4.1 billion in 1998, and consisted of the corporation's interests in Lifeco, Investors Group and Parjointco N.V. The increase is mainly attributable to the share of earnings of subsidiaries and affiliate, net of dividends received, partly offset by the impact of a weaker Swiss franc and U.S. dollar on the corporation's investment in its subsidiaries and affiliate.

Other investments were \$167 million (1998 – \$174 million) and included the 8.7 million common shares of BCE Inc. with a carrying value of \$164 million held for the potential future exercise of the right of purchase by holders of the exchangeable debentures issued in 1989. These debentures have a carrying value of \$167 million.

Share of Operating Earnings ⁽¹⁾ of Subsidiaries and Affiliate
For the years ended December 31
(in millions of dollars)

	1999	1998	Change
Subsidiaries			%
Great-West Lifeco Inc.	411	336	22
Investors Group Inc.	164	132	24
Affiliate			
Parjointco N.V. (Pargesa Holding S.A.) ⁽²⁾	46	46	—
	621	514	21

(1) Operating earnings represent net earnings exclusive of non-recurring items.

(2) Significant net capital gains have been recorded in 1999 by operating companies within the Pargesa group and Pargesa treated its share of these gains (SF104 million) as non-operating earnings. Although Pargesa restated by SF12 million its presentation of 1998 earnings for comparison purposes, the corporation has not restated its share of 1998 operating earnings of its affiliate.

POWER FINANCIAL CORPORATION

Other long-term debt represents the \$150 million principal amount of 7.65 per cent 10-year debentures issued on January 5, 1996 to fund the early redemption of the SF120 million of bonds that were initially due in March 1997. The \$150 million principal amount was swapped into SF127.5 million at a rate of interest of 4.43 per cent.

Liquidity and Capital Resources

In managing its cash and cash equivalents, the corporation may invest in foreign currencies and thus be exposed to fluctuations in exchange rates. As at December 31, 1999, 97 per cent of cash and cash equivalents were denominated in Canadian dollars.

Cash requirements for the payment of dividends are met by dividend income from the subsidiaries and affiliate, interest and dividends on cash and cash equivalents, and, when required, the corporation's cash position. Total dividends declared on the common shares of Power Financial increased from 50 cents in 1998 (taking into effect the two-for-one share split) to 60.25 cents in 1999. The holders of common shares of the corporation benefited from increased dividends from subsidiaries and affiliate.

The corporation's credit standing in the financial markets is as follows:

Independent Ratings of Power Financial As at December 31, 1999	Dominion Bond Rating Service	Canadian Bond Rating Service
Senior debentures	AA (low)	A+
Preferred shares		
Cumulative	Pfd-1 (low)	P-1
Non-cumulative	Pfd-1 (low) n	P-2

Dividends For the years ended December 31 (per share)	Current annualized dividend (2)	1999 Cash dividend	1998 Cash dividend
Great-West Lifeco Inc. (C\$) (1)	0.62	0.53	0.44
Investors Group Inc. (C\$) (1)	0.58	0.49	0.38
Pargesa Holding S.A. – bearer share (SF)	74	73	72

(1) In 1998, the common shares of Lifeco and Investors Group were split on a two-for-one basis; 1998 dividends reflect the split.

(2) Lifeco and Investors Group: based on the quarterly dividend declared in February 2000. Pargesa dividend to be approved at the May 2000 Annual General Meeting.

Shareholders' equity at the end of 1999 was \$4,462 million, up from \$4,172 million as at December 31, 1998. This increase is mainly due to:

- retained earnings (+\$579 million),
 - foreign currency translation adjustments (–\$291 million).
- These adjustments relate to the corporation's investment in Pargesa, partly hedged by the swapped \$150 million debt, and to its indirect investment in Great-West's U.S. operations; in 1999, the Canadian dollar strengthened against both the Swiss franc and U.S. dollar.

Book value per common share was \$11.28 at the end of 1999, compared with \$10.45 one year earlier. In 1999, the corporation issued 256,000 common shares pursuant to the terms of the Employee Stock Option Plan, resulting in an increase in stated capital of \$1 million (988,946 shares were issued in 1998, for an increase in stated capital of \$4 million).

Power Financial and its subsidiaries and affiliate have substantial financial resources. The cash balances, together with credit facilities, enable the corporation and the Power Financial group of companies to enhance their positions in their respective sectors and industries and to position themselves to take advantage of selected opportunities on a timely basis.

POWER FINANCIAL CORPORATION

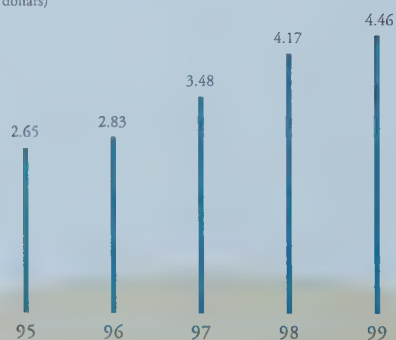
(In this section of the analysis, the principal subsidiaries are accounted for on the equity basis.)

Condensed Supplementary Financial Statements December 31 *(in millions of dollars)*

	1999	1998
Condensed Statements of Earnings		
Share of earnings of subsidiaries and affiliate	621	514
Corporate activities	(9)	(9)
Earnings from operations	612	505
Other income, net	222	173
Net earnings	834	678
Earnings per share <i>(in dollars)</i>	2.32	1.87
Condensed Balance Sheets		
Cash and cash equivalents	362	341
Investments		
Subsidiaries and affiliate at equity	4,335	4,055
Other	167	174
Other assets	72	45
Total assets	4,936	4,615
Accrued liabilities and other	149	108
Exchangeable debentures	167	167
Other long-term debt	150	150
Deferred income taxes	8	18
Shareholders' equity		
Preferred shares	550	550
Common shareholders' equity	3,912	3,622
	4,462	4,172
Total liabilities and shareholders' equity	4,936	4,615

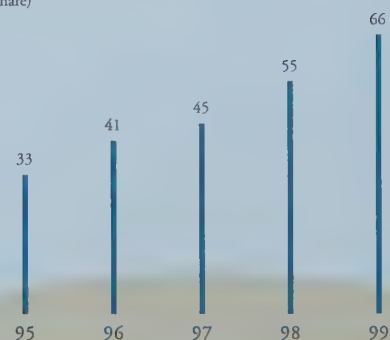
Power Financial Corporation

Shareholders' Equity
(in billions of dollars)



Power Financial Corporation

Annualized Dividend at Year-End⁽¹⁾
(in cents per share)



⁽¹⁾ Gives effect to the subdivision of the corporation's common shares effective July 9, 1998.

G R E A T - W E S T L I F E C O I N C .

Readers are referred to the condensed supplementary financial statements of Lifeco further in this annual report.

As at the end of 1999, through its direct interest of 76.6 per cent and Investors Group's interest of 4.3 per cent, Power Financial holds an economic interest of 79.5 per cent in Lifeco. Power Financial holds, directly and indirectly, 65 per cent of the voting rights attached to all outstanding Lifeco voting shares.

Lifeco holds a 100 per cent (99.6 per cent in 1998) voting interest in The Great-West Life Assurance Company (Great-West), which in turn holds a 100 per cent (98.2 per cent in 1998) interest in London Life Insurance Company (London Life) and Great-West Life & Annuity Insurance Company (GWL&A). Through Great-West and London Life in Canada and GWL&A in the United States, a wide range of life insurance, health insurance, and retirement and investment products are offered to individuals, businesses and other private and public organizations. As well, as part

Selected Financial Information							
<i>(in millions of dollars, except per common share amounts)</i>				1999			
	Canada	U.S.	Total	Canada	U.S.	Total	% Change
For the Year							
Premiums for life insurance, guaranteed annuities, insured health products, and reinsurance and property and casualty	\$5,765	\$2,761	\$8,526	\$6,408	\$2,829	\$9,237	(8)
Self-funded premium equivalents (ASO contracts) ⁽¹⁾	1,039	4,425	5,464	983	3,866	4,849	13
Segregated funds deposits ⁽¹⁾	2,113	3,837	5,950	2,421	3,276	5,697	4
Total premiums and deposits	8,917	11,023	19,940	9,812	9,971	19,783	1
Fee and other income	278	944	1,222	237	766	1,003	22
Paid or credited to policyholders	6,547	3,389	9,936	7,089	3,591	10,680	(7)
Net income							
Total	248	321	569	209	264	473	20
Common shareholders	215	321	536	181	256	437	23
Return on common equity			17.1%			15.4%	
Per common share							
Net earnings			\$1.43			\$1.17	23
Dividends paid			0.53			0.44	20
Book value			8.70			8.12	7
At December 31							
Total assets	\$32,277	\$20,979	\$53,256	\$32,478	\$22,247	\$54,725	(3)
Segregated funds assets ⁽¹⁾	15,730	17,998	33,728	12,959	15,435	28,394	19
Total assets and assets under administration	\$48,007	\$38,977	\$86,984	\$45,437	\$37,682	\$83,119	5
Capital stock and surplus			3,789			3,548	7

(1) Segregated funds deposits and self-funded premium equivalents (ASO contracts)

The financial statements of a life insurance company do not include the assets, liabilities, deposits and withdrawals of segregated funds or the claims payments related to administrative services only (ASO) Group health contracts. However, Great-West does earn fee and other income related to these contracts.

Segregated fund business is an option offered to policyholders under an insurance annuity contract, where the benefit amount is directly linked to the market value of the investments held in the particular segregated account. The contractual arrangements are such that the segregated fund contract holder bears the risks and rewards of the account's investment performance apart from death and maturity benefit guarantees. ASO Group health contractual agreements are those where Great-West provides administrative and claims paying services for clients, and under these arrangements, the client bears some or all of the claim risk. The self-funded premium equivalents generally represent claims paid under these contracts which approximate the additional premiums that would have been earned if these contracts had been written as traditional risk programs.

Both segregated funds and ASO contracts are a growing aspect of the overall business of Great-West and should be considered when comparing volumes, size and trends.

of its Canadian operations, Great-West offers reinsurance and specialty general insurance products in specific niche markets through its subsidiaries, London Reinsurance Group Inc. and London Guarantee Insurance Company.

Highlights of Operating Results

Lifeco's net income attributable to common shareholders was \$536 million or \$1.43 per share, up 23 per cent from \$437 million or \$1.17 per share for 1998. The return on common shareholders' equity was 17.1 per cent for the 12 months ended December 31, 1999.

Net income for 1999 reflects significant increases for both Canadian and United States operations, compared to 1998.

Total premium income, including self-funded premium equivalents and segregated funds deposits, was up one per cent overall with growth in the fee based self-funded and segregated funds lines. Fee and other income was up 22 per cent over 1998. Reinsurance premiums were down over 1998, typical of the irregular nature of premiums in this line of business, and influenced the premium income line. Capital stock and surplus increased to \$3.8 billion at December 31, 1999, from \$3.5 billion at year-end 1998. During 1999, the quarterly dividend paid on common shares was increased to \$0.125 per share for the March and June dividends, and to \$0.14 for the September and December dividends, for a total dividend of \$0.53 for the year. This represents a dividend payout ratio of 37.1 per cent of 1999 earnings (1998 – 37.6 per cent), and a 1999 dividend yield (dividends as a percentage of average high and low market prices) of 2.2 per cent (1998 – 2.0 per cent). Book value per common share was \$8.70 at December 31, 1999, compared with \$8.12 at December 31, 1998.

Financial Position

Total assets and assets under administration grew to \$87 billion at year-end 1999, an increase of \$3.9 billion from 1998. Assets under administration include segregated funds of \$33.7 billion at December 31, 1999, compared with \$28.4 billion at the end of 1998.

Obligations to policyholders made up 92 per cent of total liabilities at the end of 1999 (91 per cent at year-end 1998). The valuation of policy liabilities is certified by the Actuary of Great-West as being in accordance with accepted actuarial practices.

Total capital and surplus, including non-controlling and other interests, of \$5.9 billion at December 31, 1999 was 12.5 per cent of total liabilities, compared with \$5.6 billion or 11.5 per cent in 1998. It is Lifeco's intention to maintain surplus ratios in its operating subsidiaries at levels sufficient to provide assurance of policyholder security and to maintain its superior credit ratings.

The Office of The Superintendent of Financial Institutions has specified a measurement basis for life insurance companies operating in Canada. This measurement basis is referred to as the Minimum Continuing Capital and Surplus Requirements (MCCSR) and Great-West's ratio is 210 per cent, a very solid level for the industry (196 per cent at the end of 1998).

Ratings of Major Subsidiaries of Lifeco		Ratings		
Rating Agency	Measurement	Great-West	London Life	GWL&A
A.M. Best Company	Financial Condition and Operating Performance	A++*	A++*	A++*
Canadian Bond Rating Service	Investment Strength	A++*	A++*	NR
Dominion Bond Rating Service	Claims Paying Ability	IC-1*	IC-1*	NR
Duff & Phelps Corporation	Claims Paying Ability	AAA*	AAA*	AAA*
Moody's Investors Service	Insurance Financial Strength	Aa2	Aa2	Aa2
Standard & Poor's Corporation	Insurer Financial Strength	AA+	AA+	AA+

*Highest rating available; NR – not rated

Asset Quality

At December 31, 1999, exposure to mortgage loans and real estate was 21 per cent of invested assets compared with 22 per cent at the end of 1998.

Lifeco's exposure to non-investment grade bonds was 0.6 per cent of the portfolio at the end of 1999, unchanged from December 31, 1998.

Non-performing investments, including bonds in default, mortgages in the process of foreclosure or in arrears 90 days or more, and real estate acquired by foreclosure, totalled \$96 million or 0.2 per cent of invested assets at December 31, 1999, compared with \$107 million and 0.2 per cent a year earlier. Lifeco's allowance for credit losses at December 31, 1999 was \$178 million, compared with \$203 million at year-end 1998.

The credit ratings of Lifeco and its major subsidiaries were reaffirmed during 1999.

Canadian Operations

The discussion of operating results is followed by a report on operations of the Canadian segment of Great-West Lifeco Inc., presented in terms of the major Canadian business units of The Great-West Life Assurance Company and London Insurance Group Inc.

- **Group Insurance** – life, health and disability insurance products for group clients.
- **Individual Insurance & Investment Products** – life and disability insurance products for individual clients, as well as retirement savings and income products for both group and individual clients.
- **Reinsurance & Specialty General Insurance** – life, property and casualty, accident and health, annuity coinsurance and specialty general insurance in specific niche business markets.

Net income from Canadian operations for 1999 was \$248 million, compared with \$209 million for 1998. Net income attributable to common shareholders was \$215 million, up from \$181 million for 1998.

The positive earnings results were due to a combination of reduced operating expenses as a result of continued integration of Great-West and London Life operations, improvement in investment results, increased segregated funds fee income, and favourable mortality experience, offset somewhat by unfavourable group morbidity and reinsurance margins associated with accident and health lines.

Total assets under administration in Canada reflect a 21 per cent growth in segregated funds assets in 1999.

Group Insurance

Great-West successfully completed the integration and conversion of London Life's group insurance business on schedule in 1999. One success measure of integration is the persistency rate among converted London Life business, which was higher than expected reflecting general client acceptance of the conversion process and of the company's products and services. In total, more than 10,000 London Life group cases were converted to Great-West administration systems in 1998 and during the first half of 1999. Group insurance premium income, which includes claims from non-insured administrative services only clients, was up 2 per cent. This growth rate was slightly higher than anticipated. It reflects the intense focus on completing the conversion of London Life group insurance cases.

Sales results were up 22 per cent over 1998. This reflects continued strong sales growth in the target small- and mid-sized client market fuelled by the company's expanded distribution system, which includes London Life representatives. The company also experienced significant sales

Premiums and deposits – Canada

(in millions of dollars)

	1999	1998	Change	1999	1998	Change
	Premiums and Deposits			Sales		
			%			%
Group Insurance	2,781	2,729	2	202	166	22
Individual Operations						
Life Insurance	1,538	1,507	2	105	110	(4)
Disability Income	102	92	11	20	18	11
Retirement & Investment Services	2,421	2,759	(12)	2,888	2,981	(3)
Reinsurance & Specialty General Insurance	2,075	2,725	(24)	2,075	2,725	(24)
	8,917	9,812	(9)	5,290	6,000	(12)

improvement in the ASO market. Sales in the large case insured market dropped, reflecting a stronger underwriting approach in this segment.

Individual Insurance & Investment Products

Individual Insurance & Investment Products consists of three distinct business divisions: Individual Life (Life), Individual Disability (Disability) and Retirement & Investment Services (R&IS).

Life insurance sales, as measured by annualized premiums, were \$105 million in 1999, while revenue premium exceeded \$1.5 billion. Sales declined four per cent overall in 1999, in a relatively flat market. Term insurance sales were up nine per cent in terms of new annualized premiums with most of the growth occurring through Investors Group representatives; universal life sales increased 73 per cent, due in part to the company rounding out its universal life product offering through an agreement to market a third party universal life product for the over \$500,000 market. Sales of participating policies decreased seven per cent, but were strong in the mature market, where consumers are concerned with wealth management.

Total sales of Disability insurance increased by 11 per cent during 1999 for a total of \$20 million in new annualized premiums, while revenue premium increased by 11 per cent. The sales growth in this market is due mainly to Great-West's competitive product line, which the company continues to enhance.

In 1999, growth in the company's R&IS business was affected by the market conditions that impacted the investment funds industry in general. The stock market correction in late 1998, combined with low returns in early 1999 and consumer concerns about Year 2000, depressed contributions to investment funds in Canada. In this environment,

the company's sales were relatively strong when compared with other large segregated funds carriers and with the mutual fund market in general.

Reinsurance and Specialty General Insurance

Reinsurance premium income was down, primarily due to fewer structured reserve contracts written in 1999, compared with 1998, but total margins from this product segment increased from 1998.

United States Operations

The discussion of operating results is followed by a report on operations of the United States segment of Great-West Lifeco Inc., presented in terms of the major business units of Great-West Life & Annuity Insurance Company (GWL&A).

- **Employee Benefits** – life, health, disability insurance and 401(k) products for small- to mid-sized corporate employers.
- **Financial Services** – accumulation and payout annuity products for both group and individual clients, as well as life insurance products for individual clients.

Net income from United States operations of Lifeco in 1999 was \$321 million, up from \$264 million in 1998. Net income attributable to common shareholders was \$321 million in 1999, compared with \$256 million in 1998.

The increase in net income reflects improvements in both business segments. The Financial Services increase is associated with improved investment income in the asset intensive lines and increased fee income. Employee Benefits earnings were positively affected by growth in fee revenue, improved group morbidity experience, offset somewhat by unfavourable mortality experience.

Premiums and deposits – United States

(in millions of dollars)

	1999	1998	Change	1999	1998	Change
	Premiums and Deposits			Sales		
			%			%
Employee Benefits						
Group Life & Health	5,927	5,008	18	956	1,002	(5)
401(k)	2,632	2,382	10	944	874	8
Financial Services						
Savings	1,321	1,331	(1)	651	724	(10)
Insurance	1,143	1,250	(9)	651	644	1
	11,023	9,971	11	3,202	3,244	(1)

In U.S. currency, general funds assets were at the same levels as in 1998, and segregated funds assets in the United States increased 24 per cent in 1999. In Canadian currency, due to the change in the exchange rate, there was a reduction of 6 per cent for general funds assets and an increase of 17 per cent for segregated funds assets.

The 11 per cent increase in premium income and deposits in 1999 comprised growth in Employee Benefits, offset by a decrease in Financial Services premium income and deposits due to lower premium renewal income from Corporate-Owned Life Insurance (COLI). The growth in premium income in the Employee Benefits segment is primarily due to Alta Health & Life Insurance Company (formerly named Anthem Health & Life Insurance Company) premium equivalents from ASO contracts.

Employee Benefits

The 1999 equivalent premium income for Group Life and Health was \$5.9 billion, an increase of 18 per cent from 1998. GWL&A experienced net case growth of 468 cases, which is primarily the result of a new simplified self-funded product introduced in the second half of the year.

GWL&A made two acquisitions in 1999, which will increase medical membership and have an impact on operations in 2000. Effective March 2000, GWL&A will assume the in-force business of Allmerica Financial Corporation and then convert each case, as it renews, to a GWL&A product. It is estimated that this will result in an additional 300,000 medical members and \$1.2 billion of equivalent premium income.

Effective January 1, 2000, GWL&A acquired the Group Life and Health business of General American Life Insurance Company (General American). GWL&A will coinsure all the risks associated with the General American block of business in 2000. Effective January 2001, GWL&A will assume the General American business through an assumption reinsurance transaction. This acquisition will add approximately 900,000 medical members and \$2.5 billion of equivalent premium income.

As a result of higher recurring deposits from existing customers and sales in 1999, 401(k) premiums and deposits increased 10 per cent from 1998.

Financial Services

Overall sales were down five per cent over 1998 levels, as single premiums in 1999 were lower than 1998 by \$92 million.

Savings premiums and deposits totalled \$1.3 billion, which was essentially level with 1998. Fee income increased 22 per cent in 1999 to \$129 million as a result of new sales, growth in equity markets and increased revenue from administrative services.

Individual life insurance revenue premiums and deposits of \$1.1 billion in 1999 decreased 8.6 per cent from 1998 levels due to a reduction in non-participating COLI premiums. However, GWL&A experienced strong Bank-Owned Life Insurance (BOLI) sales in 1999 of \$648 million. The insurance lines are experiencing the same trend that the savings business has seen over the last few years, as \$297 million of BOLI premiums were recorded as segregated funds deposits.

Outlook

Lifeco continues to manage its businesses to achieve sustained growth to the benefit of shareholders, employees, representatives and customers. The company sees growth opportunities in a number of its current markets in Canada and the United States, and will enter new markets and distribution channels with the introduction of new products slated for 2000. As well, the company will continue to use strategic acquisitions to grow in its target markets.

Demutualization has created a positive market place environment for Great-West. The majority of players are now exposed to similar financial expectations, creating a more price-rational market.

In this environment, Great-West is well positioned for growth.

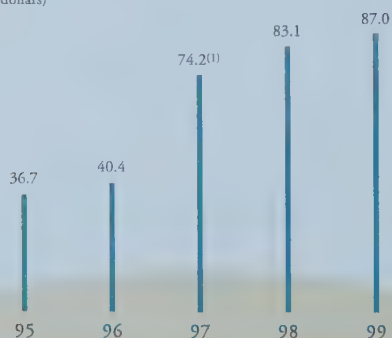
G R E A T - W E S T L I F E C O I N C .

Condensed Supplementary Financial Statements December 31 *(in millions of dollars)*

	1999	1998
Condensed Statements of Earnings		
Premium income	8,526	9,237
Net investment income	3,580	3,516
Fee and other income	1,222	1,003
	13,328	13,756
Paid or credited to policyholders and beneficiaries	9,936	10,680
Other expenses	2,334	2,134
	12,270	12,814
Income before income taxes and non-controlling interests	1,058	942
Income taxes	366	361
Non-controlling interests	123	108
Net income	569	473
<i>Per share data (in dollars)</i>		
Earnings	1.43	1.17
Condensed Balance Sheets		
Bonds	30,397	30,714
Mortgage and policyholder loans	14,104	15,581
Other assets	8,755	8,430
Total assets	53,256	54,725
Policy liabilities	43,433	44,690
Other liabilities	3,905	4,404
Non-controlling interests	2,129	2,083
Preferred shares	530	519
Common shareholders' equity	3,259	3,029
Total liabilities and shareholders' equity	53,256	54,725

Great-West Lifeco Inc.

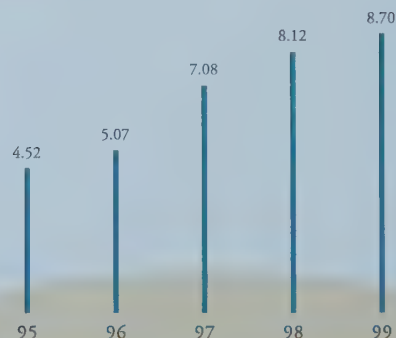
Total Assets and Assets Under Administration
(in billions of dollars)



⁽¹⁾ Including the effect of the acquisition of London Insurance Group Inc.

Great-West Lifeco Inc.

Book Value per Share⁽¹⁾
(in dollars)



⁽¹⁾ Gives effect to the subdivision of Great-West Lifeco's common shares, effective September 1998.

INVESTORS GROUP INC.

Readers are referred to the condensed supplementary financial statements of Investors Group further in this annual report.

Power Financial holds a 67.7 per cent interest in Investors Group.

Investors Group's core business is to provide personal financial planning services to Canadians. Through Investors Group's network of highly trained and well-supported representatives, Investors Group offers a comprehensive package of financial planning services and products. These include mutual funds, insurance, securities services, mortgages, guaranteed investment certificates, annuities and loans for registered investments.

At the end of 1999, Investors Group counted 3,626 financial planning representatives in its network, a decrease from 3,774 a year earlier, primarily because of the more difficult environment in which to attract qualified recruits. An emphasis on hiring top-quality candidates continues to yield positive results. The percentage of representatives with more than four years' experience increased to 57.0 per cent from 52.6 per cent a year earlier. During 1999, representa-

tive compensation, recognition system and training programs were re-aligned to meet the key strategic objectives of client service, sales force growth and productivity, and asset retention.

Investors Group continues to broaden its reach in the financial services market place. In 1998, Investors Group acquired the MAXXUM group of funds from London Insurance Group Inc. through its subsidiary MAXXUM Fund Management Inc. This acquisition has provided Investors Group with access to 2,700 sales representatives from London Insurance Group Inc. During 1999, Investors Group was able to further advance its strategic objectives by partnering with Scudder Maxxum Co., the newly formed alliance of MAXXUM Fund Management Inc. and Scudder Canada Investor Services Co. This partnership provides Investors Group with the opportunity to broaden the range of products offered to clients, experience economies of scale, capitalize on its product manufacturing capabilities and gain access to distribution channels that include full-service and discount brokers, insurance companies and other financial intermediaries, as well as distributing directly to consumers.

Summarized Financial Information (in millions of dollars)		1999	1998	Change
				%
Sales of financial products and services				
Mutual funds	5,915	6,296	(6.1)	
Mortgage originations	1,011	959	5.4	
Securities (external assets gathered)	946	385	145.8	
Deposits	87	78	11.2	
Insurance (annualized premiums)	25	19	34.1	
Net income	236	188	25.1	
Assets under management				
Mutual funds	40,650	36,064	12.7	
Corporate	1,812	1,799	0.7	
Securities assets under administration	1,471	590	149.4	
Insurance in force (face amount)	18,086	14,548	24.3	
Mortgages serviced	7,569	8,144	(7.1)	
Common shareholders' equity	967	851	13.6	
Return on equity	26.4%	23.8%		
<i>Per common share (in dollars)</i>				
Earnings	1.12	0.89	25.4	
Dividends	0.49	0.38	28.9	
Book value	4.59	4.03	13.9	

This alliance enables Scudder Maxxum Co. to supply the sales force of London Insurance Group Inc. with a more comprehensive range of investment products.

Investors Group derives its revenue from a range of sources, primarily fees that are charged to its mutual funds for investment advisory and management services. Investors Group also earns revenue from fees charged to its mutual funds for administrative services. These fees are generally based on the net asset value of the funds. Investors Group derives revenue from fees charged to account holders for the distribution of funds by Investors Group's financial planning representatives, as well as from the distribution of insurance and brokerage products. Additional revenue is earned through investment certificate operations and mortgage operations.

Highlights of Operating Results

Investors Group achieved record net income of \$236 million in 1999. This represents an increase of 25.1 per cent from 1998 earnings of \$188 million. Net income per common share was \$1.12, up from \$0.89 in 1998.

Fee and investment income totalled \$1,049 million, an increase of 7.5 per cent from 1998. Operating expenses incurred in earning fee and investment income amounted to \$601 million, a decrease from the \$605 million incurred in 1998. These expenses (excluding commissions) as a percentage of average assets under management were 0.69 per cent in 1999, down from 0.73 per cent in 1998, reflecting Investors Group's management's effective monitoring and control of expenses.

Shareholders' equity increased to \$967 million as at December 31, 1999, from \$851 million at December 31, 1998. Return on average common equity was 26.4 per cent, compared with 23.8 per cent in 1998. The quarterly dividend per common share was increased to 13 cents (52 cents annually) during 1999.

Sales Results

Sales of Investors Group's mutual funds were relatively consistent with 1998 levels. These results are very encouraging, considering that market volatility, which began in 1998, continued into the first half of 1999. Total sales in 1999 were \$5.9 billion – the third-highest level of sales in the corporation's history – compared with \$6.3 billion in 1998.

During 1999, insurance sales increased 34.1 per cent to more than \$25 million in annualized premiums – the highest level of insurance product sales in Investors Group's history. Investors Group Securities Inc., a subsidiary involved in

securities operations, attracted \$946 million in new assets – an increase of 145.8 per cent from the \$385 million placed in 1998. Sales of mortgage products were equally strong, with mortgage originations reaching a record high of more than \$1 billion.

Revenues

Fee Income

Fee income is generated from the management, administration and distribution of 66 Investors Group mutual funds, plus the funds offered by MAXXUM Fund Management Inc. and Scudder Maxxum Co. The distribution of insurance products and the provision of securities services generate additional fee income. Total fee income rose by \$72 million to \$928 million, an 8.4 per cent increase over 1998 results, reflecting the growth in assets under management.

To provide a stable level of fee income, Investors Group must maintain high levels of assets under management. The level of assets under management is influenced by sales, redemption rates and investment management. At 11.9 per cent, Investors Group's redemption rate was among the lowest in the industry. During 1999, investment management services provided reasonable capital preservation, thereby maintaining high asset values.

Management Fees

Current annual fees for management services provided to Investors Group's mutual funds range from 0.65 per cent to 2.4 per cent of assets under management. During 1999, management fee revenue increased by \$57 million to reach \$714 million, an increase of 8.6 per cent. This increase is a result of the growth in mutual fund assets under management.

Administration Fees

During 1999, Investors Group earned a total of \$130 million in administration fees, compared with \$129 million in 1998. Trustee fee revenue increased 8.1 per cent – to \$19 million from \$17 million in 1998. While assets under management increased during 1999, fees charged to the funds for administrative services remained relatively constant as a result of Investors Group's effective control of costs.

Distribution Fees

During 1999, distribution fee income rose by \$14 million. This increase is largely a result of fee income earned from the distribution of insurance products, which increased 34 per cent during the year.

Investment Income

Investment income includes interest and dividends earned on cash and short-term investments, marketable securities and mortgage loans. It also includes gains and losses on the sale of securities, Investors Group's share of an affiliate's earnings, and income related to mortgage banking activities. Investment income totalled \$121 million in 1999 and represented 11.5 per cent of gross revenue, compared with 12.2 per cent in 1998. This decline reflects the substantial increase in fee income during 1999.

Net investment income is the difference between investment income and interest expense. Interest expense is the interest on deposit liabilities, certificates and debt. Net investment income on a taxable-equivalent basis was \$86 million, an increase of 9.2 per cent or \$7 million from the 1998 level of \$79 million. The increase is a result of lower average interest-bearing liabilities. Average interest-bearing liabilities were \$505 million, down 21 per cent or \$138 million from 1998 levels.

Investment margin represents the net investment income divided by average earning assets. This margin increased 69 basis points (bps) to 6.82 per cent in 1999 from 6.13 per cent in 1998. This improvement is the result of a decrease in the proportion of earning assets funded by interest-bearing liabilities.

Expenses

Commissions

Investors Group incurs commissions expense in connection with the distribution of its financial services products, particularly Investors Group's mutual funds. Representatives earn commissions on the sale of Investors Group products and, as a result, this expense will fluctuate to a significant extent with the level of sales. Commissions expense also includes an asset retention bonus based on the level of client assets serviced. Commissions expense decreased by \$14 million, or 4.2 per cent, to \$327 million compared with \$341 million in 1998. The decline in commissions expense was primarily a result of lower mutual fund sales.

Non-Commission Expenses

During 1999, non-commission expenses were \$274 million. This total included strategic and restructuring expenditures of \$37 million to develop and implement Investors Group's strategic plan, to develop and launch additional products, the redesign of the representatives training program, to support integration associated with the acquisition of MAXXUM group of funds and the formation of the

Scudder Maxxum Co. joint venture, and the development of Investors Group's corporate image and the Solutions Built Around You™ advertising campaign. Excluding these expenditures, non-commission expenses were \$237 million, representing an increase of \$26 million, or 12.3 per cent, from 1998. Variable costs rose by 16.2 per cent to \$51 million. Fixed costs increased by \$21 million, or 12.5 per cent, and were largely driven by initiatives related to the expansion of Investors Group's distribution activities.

Financial Position

Investors Group's consolidated assets totalled \$1.812 billion at December 31, 1999, compared with \$1.799 billion in 1998. Investors Group's holdings of securities increased \$51 million, or 13.7 per cent, to \$421 million at the end of 1999. As of December 31, 1999, the market value of the marketable securities in Investors Group portfolios and its unregulated subsidiaries was \$374 million. Investors Group strives to ensure that its portfolio holdings are of the highest quality and seeks to manage the market and credit risk associated with a securities portfolio.

During 1999, mortgage loans decreased by 11.3 per cent, or \$39 million, to \$309 million. They represented 17.0 per cent of total assets, in comparison with 19.4 per cent in 1998. As at December 31, 1999, residential impaired loans totalled \$0.7 million, representing 0.20 per cent of the total mortgage portfolio, compared with \$2 million, or 0.52 per cent, in 1998. The allowance for credit losses exceeded residential impaired loans by \$8 million as at December 31, 1999, and \$5 million at December 31, 1998.

Liquidity and Capital Resources

Investors Group's liquidity requirements involve financing operations, servicing its debt and equity and providing capital to subsidiaries. In addition, Investors Group maintains a certain level of liquidity to be able to act on attractive investment opportunities.

A key liquidity requirement for Investors Group is the funding of commissions paid to representatives for the sale of mutual funds. As a result of the reduction in front-end loads, a greater proportion of commissions expense must be funded from Investors Group's management fees. In this regard, Investors Group has a competitive advantage over other mutual fund companies, which generally fund commissions with capital raised through the sale of limited partnerships or through equity and debt markets. The management of Investors Group feels that commissions expense

can be funded through management fee revenue earned on mutual fund assets under management.

Shareholders' equity amounted to \$967 million at December 31, 1999, representing 53.4 per cent of total assets, compared with 47.3 per cent at year-end 1998. Investors Group monitors capital adequacy on an ongoing basis and maintains a conservative debt-equity ratio. At December 31, 1999, this ratio was 18.0 per cent compared with 31.3 per cent at the end of 1998.

Independent reviews confirm the continuing quality of Investors Group's balance sheet and strength of its operations. During 1999, both the Canadian Bond Rating Service (CBRS) and the Dominion Bond Rating Service (DBRS) maintained their ratings of Investors Group's senior debt and liabilities. The senior debt and liabilities were rated A+ Low by CBRS and A High by DBRS. Management of Investors Group is confident that its current capital resources are adequate and can support its activities during 2000.

Outlook

The mutual fund and financial services industries enjoyed significant growth in 1999. Analysts continue to forecast strong growth for both industries. This view is supported by changes in demographics (an aging population is turning its attention to savings and investment), changes in investment habits, the increasing ease of investment, and a growing concern over the adequacy of government-sponsored pension plans.

Investors Group is well positioned to participate in the future growth of the mutual fund and financial services industries. It enjoys a strong competitive position because of the inherent strengths of its financial planning approach and integrated business model.

To provide financial planning services to Canadians, Investors Group must compete with other mutual fund companies and, increasingly, with other financial services organizations including banks, brokers and life insurance companies. During 1999, mergers and acquisition activity increased, reflecting consolidation within the industry. Management of Investors Group expects continued consolidation in the industry as smaller participants are acquired by larger, more efficient organizations.

Investors Group has enhanced its competitive position by offering a broader range of products and services and a greater diversity of mutual funds, as well as a choice of investment managers, insurance, securities services and mortgages. The management of Investors Group believes that this strategy will increase client retention, attract new clients and assist representatives in strengthening their relationships with clients.

Market Influences

Corrections in domestic and international markets and increases in interest rates may affect the outlook for Investors Group. During the first part of 1999, many equity markets experienced some volatility. However, by mid-year, most markets had recovered, and by year-end, many of the major equity markets had set new highs. Demand for mutual funds reflected these trends, with sales levels recovering later in the year. Increases in interest rates could have a significant impact on equity markets and mutual fund sales. Declines in the value of equity markets could also result in increased redemptions of mutual funds.

Redemption Rates

The mutual fund industry has successfully educated mutual fund investors on the benefits of long-term investing. The redemption rate for Investors Group's mutual funds, excluding money market funds, was 9.8 per cent for the year, among the lowest in the industry. The redemption rate for the industry as a whole, excluding Investors Group and money market funds, was 17.4 per cent.

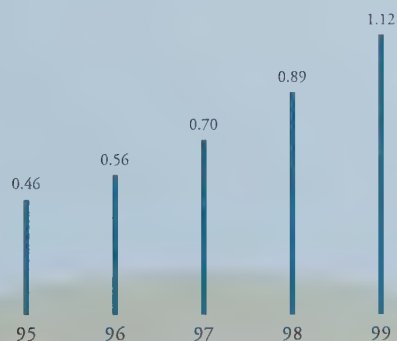
Investors Group representatives play a key role in maintaining low redemption rates. They educate clients about the value of a long-term investment strategy and the benefits of an appropriate level of portfolio diversification. In periods of market volatility and decline, representatives have been effective in encouraging clients to assume a long-term investment outlook and continue to invest.

INVESTORS GROUP INC.

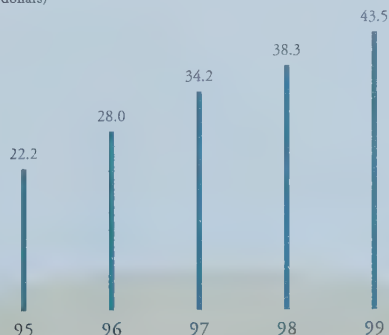
Condensed Supplementary Financial Statements December 31 *(in millions of dollars)*

	1999	1998
Condensed Statements of Earnings		
Gross revenue		
Fee income	928	856
Investment income	121	119
	1,049	975
Operating income	1,015	929
Operating expenses	601	605
Income before income taxes	414	324
Income taxes	178	136
Net income	236	188
Earnings per share <i>(in dollars)</i>	1.12	0.89
Condensed Balance Sheets		
Cash and short-term investments	528	570
Securities	421	370
Mortgage loans	309	348
Investment in affiliate	280	271
Other assets	274	240
Total assets	1,812	1,799
Deposits and certificates	307	372
Other liabilities	367	314
Long-term debt	171	262
Shareholders' equity	967	851
Total liabilities and shareholders' equity	1,812	1,799

Investors Group Inc. Earnings per Share⁽¹⁾ *(in dollars)*



Investors Group Inc. Consolidated Assets under Management and Administration *(in billions of dollars)*



⁽¹⁾ Gives effect to the subdivision of Investors Group's common shares, effective July 13, 1998.

Highlights of Results

Power Financial Corporation and the Frère group, of Charleroi, Belgium, each hold 50 per cent of Parjointco N.V. (Parjointco), a Dutch company that, as at December 31, 1999, held 61.1 per cent of the voting rights (61.2 per cent in 1998) and 54.4 per cent of the participating common shares (54.7 per cent in 1998) of Pargesa Holding S.A. (Pargesa), the parent company of the Pargesa group. The shares of Pargesa are listed on the Swiss Exchange. The Pargesa group holds the group's investments in various large European companies active in the communications (CLT-UFA), specialty minerals (Imerys), utilities (Suez Lyonnaise des Eaux) and energy (Totalfina Elf) sectors.

At that same date, the carrying value of Power Financial Corporation's interest in Parjointco was \$1,251 million, compared with \$1,240 million in 1998. This increase represents Power Financial Corporation's share of the net earnings of Parjointco, foreign currency translation adjustments and other items, less dividends received.

As at December 31, 1999, Pargesa, based in Geneva, Switzerland, held a 49.3 per cent equity interest representing 51.9 per cent of the voting rights (48.9 per cent and 51.0 per cent, respectively, in 1998) in Groupe Bruxelles Lambert S.A. (GBL), which is based in Brussels, Belgium, and listed on the Brussels, Paris, Amsterdam and Luxembourg stock exchanges. Pargesa and GBL held a 52.7 per cent joint interest (53.3 per cent in 1998) in Imerys

S.A. (Imerys), a company listed on the Paris Stock Exchange. Pargesa also held an 85.9 per cent interest (84.5 per cent in 1998) in Orior Holding S.A. (Orior), based in Vevey, Switzerland. Orior, a company primarily active in the food industry, is listed on the Swiss Exchange. GBL, through intermediary holding companies over which it has control (Electrafina S.A. and Audiofina S.A.), holds the group's investments in CLT-UFA, Suez Lyonnaise des Eaux, and Totalfina Elf.

Over the last few years, Pargesa has taken steps to:

- focus on a limited number of selected industrial and services groups that are well positioned in their respective markets and over which the group has full or joint control, or in which it holds at least a significant interest;
- streamline the corporate structure of the group while strengthening its financial position.

As a result, the portfolio of investments has changed, several assets were sold – for example, all of the group's interests in the banking and financial services industries – and, in other instances, significant acquisition or merger transactions were carried out in order to consolidate existing positions, including, in 1999 and early in 2000, the merger of PetroFina with Total and then Elf Aquitaine in the oil sector, the purchase of English China Clays plc by Imerys in the minerals sector, the increase of GBL's interest in Audiofina through an investment of \$1.5 billion and the acquisition by

Pargesa – Net Asset Value (flow-through basis) As at December 31, 1999 (in millions of dollars)	Market Value (Pargesa's share)	%
Totalfina Elf (3.4 per cent – largest shareholder)	1,836	25.4
Suez Lyonnaise des Eaux (8.4 per cent – largest shareholder)	1,515	21.0
Imerys (52.7 per cent – controlling shareholder) ⁽¹⁾	1,326	18.4
Audiofina (53.8 per cent – controlling shareholder) ⁽²⁾	1,479	20.5
Audiofina – options ⁽³⁾	810	11.2
Orior Holding (85.9 per cent – controlling shareholder)	86	1.2
Other assets	342	4.7
Net cash and cash equivalents ⁽³⁾⁽⁴⁾	173	2.4
Long-term debt ⁽⁴⁾	(343)	(4.8)
Total	7,224	100

Note: percentage of ownership denotes the cumulative interests of Pargesa and its subsidiaries and affiliates as at December 31, 1999.

(1) Imétal was renamed Imerys in September 1999.

(2) Audiofina holds a 50 per cent interest in CLT-UFA Holding.

(3) As at December 31, 1999, the GBL group was the beneficiary of options to purchase additional Audiofina shares that it intends to exercise. These options are valued based on the underlying market price of Audiofina shares, and the corresponding cash settlement (Pargesa's share: \$584 million) has been deducted from "net cash and cash equivalents".

(4) Pargesa's share of net cash and cash equivalents or long-term debt

PARGESA HOLDING S.A.

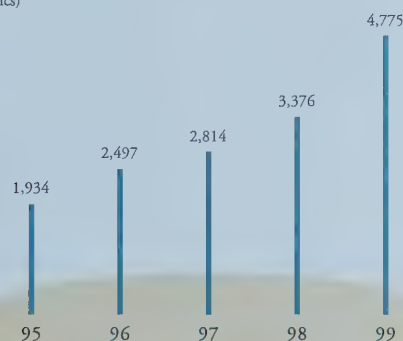
CLT-UFA of 49.9 per cent of the German television network, Vox, in the communications sector.

As at year-end 1999, Pargesa's net asset value (based on market prices of listed companies) amounted to \$7,224 million, with the group's four primary investments comprising more than 90 per cent of the net asset value.

Net asset value per share, which stood at SF4,775 as at December 31, 1999, was as follows for each of the past five years:

Pargesa Holding S.A.

Net Asset Value per Share at Year-End
(in Swiss francs)



From an accounting standpoint, the transactions referred to above have resulted in a reduction in the number of investments accounted for under the equity method and an increase in dividend income (as Suez Lyonnaise des Eaux and Totalfina, which constitute more than 46 per cent of Pargesa's net asset value, are accounted for at cost).

In 1999, the growth in earnings of Imerys and CLT-UFA, leveraged by the increase of the group's economic interest in

those two companies, and the dividends received from Suez Lyonnaise des Eaux and Totalfina, offset the decrease in share of earnings resulting from the disposition of PetroFina and Monument Oil and Gas, and from the sale (in May 1998) of Royale Belge, which were accounted for under the equity method.

Pargesa Holding S.A.				
December 31 (in millions)				
	SF	1999 \$(1)	SF	1998 \$(1)
Operating earnings	175	173	157	161
Non-operating earnings	911	902	689	707
Net earnings	1,086	1,075	846	868

(1) Average Swiss franc to Canadian dollar: 0.9901 in 1999 and 1.0258 in 1998

Furthermore, the group recorded significant capital gains, which are classified as non-operating earnings. In 1999 and 1998, non-operating earnings stood at SF911 million and SF689 million respectively (including non-operating earnings recorded by operating companies accounted for under the equity method).

Net gains recorded in 1999 (SF911 million) mainly result from the contribution of the group's interest in PetroFina to Total and in Monument Oil and Gas plc to Lasmo plc, as well as from the disposal of investments by operating companies accounted for under the equity method, namely the sale by CLT-UFA of a 45 per cent interest in Première television network (5 per cent retained) and the sale of Copperweld Corporation by Imerys.

Pargesa Group – Financial Information

As at December 31, 1999

(in millions of dollars)⁽¹⁾

	Pargesa Holding S.A.	Groupe Bruxelles Lambert S.A.	Orior Holding S.A.
Cash and temporary investments ⁽²⁾	229	1,682 ⁽³⁾	9
Long-term debt		726 ⁽⁴⁾	63
Shareholders' equity	4,580	4,822	152
Market capitalization	3,933	7,097	104

(1) Foreign currencies have been converted into Canadian dollars at the year-end rate.

(2) Net of financial debt due within one year

(3) Including net cash and temporary investments of Electrafina S.A. and Audiofina S.A. which amounted to \$639 million at December 31, 1999, as well as \$286 million of GBL shares held by GBL. The exercise of all outstanding options to purchase additional shares of Audiofina would result in a cash outflow of \$1,190 million.

(4) Including convertible bonds issued in 1998 by GBL, for an amount of \$360 million.

Imerys

Imerys benefited from the consolidation of the operations of English China Clays plc (ECC) in 1999, which it acquired for \$1.9 billion in May, and from an improvement on the main markets of the group in the second half of the year. These two factors pushed up Imerys' net operating earnings by more than 23 per cent over the preceding year. In North America, the metal processing division, Copperweld Corporation, was sold for a gross amount of US\$650 million during the second half of the year, at which time it ceased to contribute to earnings. Imerys also sold ECC-owned Calgon Corporation for gross proceeds of US\$425 million.

CLT-UFA

CLT-UFA also saw an appreciable improvement in its operating earnings in 1999. Television and radio station networks are showing solid growth, and non-capitalized expenses related to the start-up of new television and radio operations are in steep decline due, among other things, to the sale of most of the investment in the deficit-running Première television network, for an amount of \$1.3 billion in the first half of 1999. Sales from CLT-UFA operations, leveraged by the favourable advertising situation in Europe, are experiencing growth superior to the advertising markets in which the group operates. In addition, during 1999 and early 2000, CLT-UFA made the following investments: 11 per cent interest in RTL Television, in Germany, for \$350 million, to increase its control to 100 per cent; also in February, a further 49.9 per cent interest in Vox for \$475 million, which brings CLT-UFA's holding to 75 per cent; a further interest of 6.4 per cent in Channel 5 in the United Kingdom; and a further 2 per cent in M6 in France.

At year-end 1999, GBL announced that it had reached an agreement with minority shareholders of Audiofina, the intermediate holding company that jointly controls CLT-UFA, to acquire their interests in this company for a total cash consideration of \$1.5 billion. As at December 31, 1999, the group held 53.8 per cent of Audiofina. If all the options that GBL had at that time were exercised, the group's interest would have increased to 78 per cent. In January and February 2000, the GBL group sold approximately five per cent of Audiofina shares in order to increase the liquidity on the stock market.

Suez Lyonnaise des Eaux

Suez Lyonnaise des Eaux experienced new growth of 29 per cent in its net operating earnings. The group pursued development in all its core businesses and on the international stage. It signed several important contracts, including, in the water sector, the concession contract in Santiago, Chile, a city of five million people. It also made significant acquisitions, including Nalco Chemicals Company and Calgon Corporation in the United States, and increased its control over its main subsidiaries by purchasing substantially all non-controlling shareholdings in Tractebel S.A., Sita and United Water Resources Inc. These transactions were carried out partly in Suez Lyonnaise des Eaux securities; taking into account additional purchases made by Electrafina in 1999 (for an amount of \$230 million) and the transactions referred to above, the group held 8.4 per cent of the equity and 13.9 per cent of the voting rights of Suez Lyonnaise des Eaux at the end of 1999 (10.7 per cent and 12.4 per cent respectively, at the end of 1998).

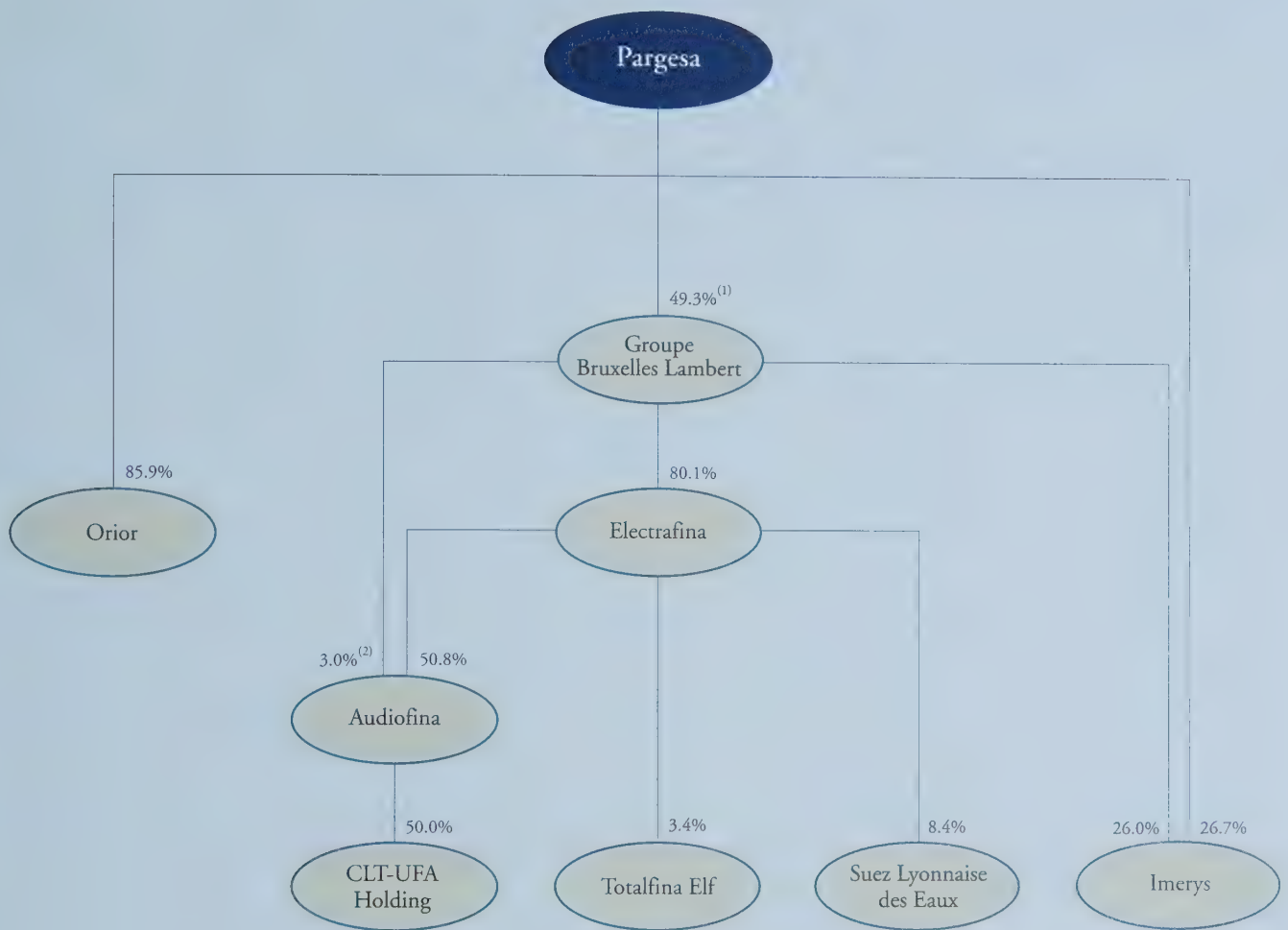
Totalfina

Totalfina experienced a year of contrasts: substantial increases in crude oil prices and depressed refining and petrochemical margins. The average Brent crude oil price rose by 42 per cent to US\$18.00/barrel in 1999, compared with US\$12.70/barrel in 1998, and refining margins fell by 43 per cent to US\$9.70/ton in 1999, compared with US\$16.90/ton the previous year. The dollar increased in value by four per cent in relation to the Euro in 1999, with Euro/dollar parity averaging 1.07 for the period. Eliminating non-recurring items, net earnings are up 13 per cent over the previous year (pro forma), at \$2.7 billion for the year. As indicated previously, in February 2000, Totalfina received approval from the European authorities to complete the merger with Elf Aquitaine, which had estimated net earnings for 1999 of over \$3.0 billion.

Outlook

The Pargesa group intends to continue to focus its activities on a small number of large Europe-based businesses. It wants to concentrate on developing these businesses from a strategic standpoint while simplifying and consolidating its own financial structure.

PARGESA HOLDING S.A.



(1) 51.9 per cent voting rights

(2) At the end of 1999, the GBL group entered into agreements to buy out certain minority shareholders of Audiofina, which would result in an increase in the group's control over this company.

PARGESA HOLDING S.A.

Composition of Pargesa's Net Earnings As at and for the years ended December 31 (in millions of dollars)⁽¹⁾

	Cumulative Equity Interest %	Pargesa's Economic Interest %	Contributions to Pargesa's Earnings			
			1999		1998 ⁽²⁾	
			\$	%	\$	%
Contribution from principal holdings						
• Equity accounted						
Imerys (industrial)	52.7	39.6	80	46	65	40
CLT-UFA (communications)	50.0	10.6	20	12	(8)	(5)
• Non-consolidated						
Suez Lyonnaise des Eaux (public services)	8.4	3.3	27	16	15	9
Totalfina (oil and gas) ⁽³⁾	3.4	1.3	29	17	–	–
• Disposed of						
PetroFina (oil and gas) ⁽³⁾					53	33
Royale Belge					15	9
			156	91	140	86
Other companies subject to equity accounting ⁽⁴⁾			6	3	10	7
Operating earnings from holding companies, net of goodwill			11	6	11	7
Earnings, before capital gains, net			173	100	161	100
Capital gains, net			902		707	
Net earnings			1,075		868	
Average currency rate			0.9901		1.0258	

(1) Converted into Canadian dollars based upon average exchange rates.

(2) Reclassified to conform with the presentation adopted in 1999.

(3) Early in 1999, the group contributed its shares in PetroFina – which was accounted for under the equity method – in exchange for Total shares. Later in 1999, PetroFina and Total merged together to create Totalfina. As a result of these transactions, the group's interest in Totalfina is accounted for at cost.

(4) GBL sold its interests in several minor holdings in 1999.

Power Corporation believes in the importance of good corporate governance and the central role played by directors in the governance process. The Board of Directors recognizes the utility of sharing this belief with its shareholders. The Board is responsible for, and takes this opportunity to expand on, its corporate governance philosophy and practices.

Power Corporation is an international management and holding company. It has had controlling shareholders since its beginnings in 1925. Its present controlling shareholder has held control since 1968 and today holds in the aggregate, directly or indirectly, or holds voting power over, shares carrying approximately 65 per cent of the votes. Power Corporation is not an operating company and over half of its interests are located outside Canada, specifically in the United States, Europe and Asia. These characteristics are important in any consideration of governance issues as they apply to the Corporation.

There exist many models of corporate ownership and governance, including widely held and closely held companies and including boards composed largely of “related” directors and boards composed almost entirely of “unrelated” directors. It is our belief that no single corporate governance model is superior or appropriate in all cases. The Board believes that the governance system in place at Power Corporation is appropriate and effective and that there are in place appropriate structures and procedures to ensure its independence from management.

The Board believes it is appropriate in a management and holding company such as Power Corporation, with a controlling shareholder, that the positions of the Chairman of the Board and Co-Chief Executive Officer overlap.

The Board and Board Committees

The directors supervise the management of the business and affairs of a corporation. In fulfilling that responsibility, Power Corporation’s Board appoints senior executive management, provides advice to management from time to time, and assesses the ongoing progress of the Corporation and its subsidiaries. The Board and its committees review corporate plans and objectives. The objective of the Directors in performing these functions is to enhance shareholder

value while acting in the long-term best interests of the Corporation. The Board believes that its present size is appropriate for effective decision-making.

A number of our Directors are active through committees of the Board. There are three such committees of Directors: the Executive Committee, the Audit Committee and the Compensation Committee. Committee membership is shown on page 54 of this annual report. The Board has the authority to establish additional committees of Directors and to determine their roles and responsibilities.

The Executive Committee meets when necessary in the interval between meetings of the full Board. It has all of the power which, by law, may be delegated to it by the Board, but does not exercise those powers to make a significant decision that has not already been approved in principle by the full Board except in a situation where immediate action is required. The activities and decisions of the Executive Committee are reported to the Board of Directors.

In the performance of its functions, the Audit Committee reviews with the Corporation’s auditors the audited financial statements and reviews financial information to be included in public disclosure documents. It also reviews the nature and scope of the annual audit plan, and makes a recommendation to the Board regarding the appointment of auditors. The Committee communicates directly and, from time to time, meets privately with the Corporation’s auditors. The role and responsibilities of the Committee have been defined by the Board.

The Compensation Committee reviews and establishes the compensation of the executive officers of the Corporation. In the performance of its functions the Committee reviews the performance of the executive officers and of the Corporation as a whole. It reviews, from time to time, the Corporation’s compensation policy, its pension and retirement income policy and its benefits program as well as the compensation of directors. The Committee also administers the Corporation’s Stock Option Plan. In the performance of its functions, the Committee consults with outside compensation experts. The Committee’s role is more fully described in the Corporation’s management proxy circular.

Any board responsibility or authority not delegated to senior management or a Board committee remains with the full Board.

Composition of the Board and Board Committees

Nominees for election to the Board of Directors are chosen by the Board according to a variety of criteria including integrity and reputation, general knowledge and experience in a particular field of interest. The Corporation believes that a diversity of views and experience enhance the ability of the Board as a whole to fulfill its responsibilities to the Corporation. Directors are not required to be specialists in the affairs of the Corporation or the industries in which it invests but are expected to provide the Corporation with the benefit of their domestic or international business experience, their judgment and their vision. The Corporation provides an orientation program for newly elected directors. The Board does not have a Nominating Committee.

A majority of the Corporation's Directors are considered to be unrelated to Power Corporation. In addition, a number of Directors are free from any interest in, or relationships with, either Power Corporation or its controlling shareholder. In light of the obligations and duties falling upon directors, Power Corporation does not believe that whether a director is related or unrelated is an essential criterion for effective board participation. All of Power Corporation's Directors, whether related or not, bring to the Corporation an interest in and knowledge of the affairs of the Corporation and its affiliated companies, which is a benefit to Power Corporation and its shareholders.

The Audit and Compensation Committees are composed entirely of outside, unrelated Directors. The Executive Committee includes a majority of outside and unrelated Directors.

Committees may, at Power Corporation's expense, retain such professional advisers as the Committees deem appropriate for the purpose of carrying out their duties and responsibilities.

In addition to its Board of Directors, the Corporation benefits from the counsel and international experience of prominent individuals from around the world who are members of its International Advisory Council.

Communications Policy

The Corporation has adopted policies respecting communications with its shareholders and others. Management is available to shareholders to respond to questions and concerns on a prompt basis, subject to the limitations imposed by law and the sensitivity of certain information relating to the Corporation. Members of management meet from time to time with institutional and other investors. The Corporation also communicates with its shareholders through a variety of other means, including its annual reports, quarterly reports and news releases. The Corporation maintains a website at: www.powercorp.com, updated with current corporate information and interlinked to the websites of group companies.

Statutory disclosure documents such as management information circulars and annual information forms are reviewed, and where required, approved by the Board. At the Corporation's annual meetings, an opportunity is afforded to shareholders to question senior management. The Board believes that the Corporation's communications with its shareholders and the avenues available for shareholders and others interested in the Corporation to make inquiries about the Corporation are responsive and effective.

FINANCIAL INFORMATION

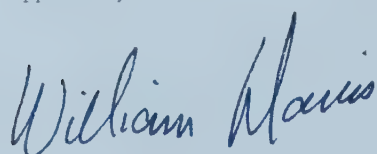
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POWER CORPORATION OF CANADA

Consolidated Balance Sheets as at December 31 *(in millions of dollars)*

	1999	1998
Assets		
Cash and cash equivalents	1,891	1,978
Investments (Note 2)		
Shares	1,742	1,567
Bonds	30,471	30,747
Mortgages and other loans	14,413	15,929
Real estate	1,120	1,081
	47,746	49,324
Investment in affiliate, at equity (Note 3)	1,251	1,240
Other assets (Note 4)	6,764	6,383
	57,652	58,925
Liabilities		
Policy liabilities		
Actuarial liabilities (Note 5)	40,036	41,128
Other	3,397	3,562
Deposits and certificates	307	372
Long-term debt (Note 6)	985	849
Other liabilities (Note 7)	4,056	4,688
	48,781	50,599
Non-controlling interests (Note 8)	5,421	5,181
Shareholders' Equity		
Stated capital (Note 9)		
Non-participating shares	215	69
Participating shares	350	352
Retained earnings	2,773	2,402
Foreign currency translation adjustments	112	322
	3,450	3,145
	57,652	58,925

Approved by the Board of Directors



Director



Director

Consolidated Statements of Earnings for the years ended December 31 *(in millions of dollars, except per share amounts)*

	1999	1998
Revenues		
Premium income	8,526	9,237
Investment income	3,795	3,698
Fees and media income	2,418	2,120
	14,739	15,055
Expenses		
Paid or credited to policyholders and beneficiaries including policyholder dividends and experience refunds	9,936	10,680
Commissions and operating expenses	3,258	3,049
Interest expense	91	89
	13,285	13,818
	1,454	1,237
Share of earnings of affiliate (Note 3)	46	46
Other income, net (Note 11)	207	158
Earnings before income taxes and non-controlling interests	1,707	1,441
Income taxes (Note 12)	547	492
Non-controlling interests (Note 8)	627	529
Net earnings	533	420
Earnings per participating share	2.36	1.88

Consolidated Statements of Retained Earnings for the years ended December 31 *(in millions of dollars)*

	1999	1998
Retained earnings, beginning of year	2,402	2,083
Add		
Net earnings	533	420
	2,935	2,503
Deduct		
Dividends		
Non-participating shares	8	4
Participating shares	108	97
Premium on repurchase of participating shares (note 9)	33	
Reduction due to capital transactions	13	
	162	101
Retained earnings, end of year	2,773	2,402

POWER CORPORATION OF CANADA

Consolidated Statements of Cash Flows for the years ended December 31 *(in millions of dollars)*

	1999	1998
Operating activities		
Net earnings	533	420
Non-cash charges (credits)		
Increase (decrease) in policy liabilities	(192)	1,581
Decrease (increase) in funds withheld by ceding insurers	(252)	(1,235)
Amortization and depreciation	95	96
Deferred income taxes	(54)	112
Non-controlling interests	627	529
Other	(409)	(382)
Cash from operating activities	348	1,121
Financing activities		
Dividends paid		
By subsidiaries to non-controlling interests	(221)	(202)
Non-participating shares	(6)	(4)
Participating shares	(108)	(97)
	(335)	(303)
Acquisition of participating shares for cancellation	(35)	
Issue of subordinate voting shares	1	16
Issue of non participating shares	150	
Repurchase of non-participating shares for cancellation	(4)	(4)
Issue of common shares by subsidiaries	6	6
Issue of preferred shares by a subsidiary	200	
Repurchase of preferred shares by a subsidiary	(200)	
Repurchase of common shares by subsidiaries	(38)	(15)
Issue of subordinated capital income securities	252	
Repayment of long-term debt, commercial paper and other loans	(285)	(210)
Increase in demand deposits	11	6
Decrease in term deposits	(58)	(89)
Decrease in certificates	(17)	(33)
Other	(16)	
	(368)	(626)
Investment activities		
Bond sales and maturities	20,932	32,260
Mortgage loan repayments	4,003	4,350
Sale of shares	286	509
Real estate sales	39	146
Change in loans to policyholders	201	(167)
Change in repurchase agreements	(243)	(369)
Investment in subsidiaries	(39)	(123)
Investment in bonds	(21,619)	(33,491)
Investment in mortgage loans	(3,026)	(2,907)
Investment in shares	(450)	(528)
Investment in real estate	(89)	(81)
Other	(62)	(30)
	(67)	(431)
Increase (decrease) in cash and cash equivalents	(87)	64
Cash and cash equivalents, beginning of year	1,978	1,914
Cash and cash equivalents, end of year	1,891	1,978
Supplementary cash flow information		
Income taxes paid	391	475
Interest paid	91	88

Note 1. Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada and include the accounts of the Corporation and its subsidiaries. The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the amounts reported in those statements and accompanying notes. The reported amounts and note disclosures are determined using Management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Actual results may differ from such estimates.

The principal operating subsidiaries of the Corporation are: Power Financial Corporation ("Power Financial") (interest of 67.4%), which holds Great-West Lifeco Inc. ("Lifeco") (direct interest of 76.6%, 1998 – 76.9%), which holds 100% (1998 – 99.6%) of the common shares of The Great-West Life Assurance Company ("Great-West"), which in turn holds 100% of the common shares of London Insurance Group ("LIG") and 100% of the common shares of Great-West Life & Annuity Insurance Company ("GWL&A"), and Investors Group Inc. ("Investors Group") (interest of 67.7%, 1998 – 67.4%) which holds 4.3% of the common shares of Lifeco; Gesca Ltée (interest of 100%) and Power Broadcasting Inc. (interest of 100%).

The Corporation accounts for its investments in its affiliate using the equity method. Investments in joint ventures that are jointly controlled are consolidated on a proportionate basis.

The consolidated statement of cash flows for the year ended December 31, 1998 has been restated to reflect the new requirements under Section 1540 of the *CICA Handbook*. For purposes of the statement of cash flows, cash and cash equivalents comprise cash and temporary investments consisting of highly liquid investments with short term maturities.

Investments

Investments, other than those held by Great-West are accounted for as follows:

Investments in shares are carried at cost; where there has been a loss in value that is other than a temporary decline, a write-down is made to recognize the loss. Bonds, mortgages and other loans are valued at amortized cost plus accrued interest less provisions for losses. Real estate investments are valued at cost less provisions for losses.

Investments held by Great-West are accounted for as follows:

Investments in shares (equity securities) are carried at cost plus a moving average market value adjustment of \$13 million (1998 – \$7 million). The carrying value is adjusted towards market value at a rate of 15% per annum. Net realized gains and losses are included in Net deferred gains on portfolio investments sold and are amortized to earnings at 15% per annum on a declining balance basis. Market values for public shares are generally determined by the closing sale price of the exchange on which the security is

principally traded. Market values for shares for which there is no active market are determined by management.

Investments in bonds and mortgage loans (debt securities) are carried at amortized cost net of any allowance for credit losses. The difference between the proceeds on the sale of a debt security and its amortized cost is considered to be an adjustment of future portfolio yield. Net realized gains and losses are included in Net deferred gains on portfolio investments sold and are amortized over the period to maturity of the security sold.

Investments in real estate are carried at cost net of write-downs and allowances for loss, plus a moving average market value adjustment of \$39 million (1998 – \$28 million). The carrying value is adjusted towards market value at a rate of 10% per annum. Net realized gains and losses are included in Net deferred gains on portfolio investments sold and are amortized to earnings at 10% per annum on a declining balance basis. Market values for all properties are determined annually by management based on a combination of the most recent independent appraisal and current market data available. Appraisals of all properties are conducted at least once every three years by qualified appraisers.

Other loans, which include loans to policyholders, are shown at their unpaid balance and are fully secured by the cash surrender values of the policies.

Income taxes

Income taxes are accounted for using the deferral method of income tax allocation. Under this method, a provision for deferred income taxes arises as a result of differences in the timing of income recognition for financial statement and income tax purposes. The major timing differences relate to portfolio investments, provision for future policy benefits and the amortization of capital assets.

Actuarial liabilities

Actuarial liabilities of Great-West represent the amount which, together with estimated future premiums and investment income, will be sufficient to pay estimated future benefits, dividends and expenses on policies in force. Actuarial liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries. In accordance with these accepted practices, annuity reserves and LIG's group life and health claim reserves have been established using cash flow valuation techniques. All other reserves have been determined using the policy premium method.

In the computation of actuarial liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses and rates of policy termination. The valuation assumptions use best estimates of future experience together with a margin for misestimation and experience deterioration. These margins have been set in accordance with guidelines established by the Canadian Institute of Actuaries and are necessary to provide reasonable assurance that the reserves are adequate to cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

Notes to Consolidated Financial Statements

Note 1. Summary of significant accounting policies (continued)*Goodwill*

Goodwill, being the difference between the cost of the investment in subsidiary and affiliated corporations and the fair value of the underlying net assets at the dates of acquisition, is being amortized over periods not exceeding forty years using the straight-line method. The Corporation reviews the carrying value of goodwill to determine if it has been permanently impaired in value by conditions affecting subsidiary and affiliated corporations, using projections of future earnings and cash flow of the related subsidiary and affiliated corporations. Management is of the opinion that there has been no reduction in the value assigned to goodwill.

Stock-based compensation plan

The Corporation has a stock-based compensation plan, which is described in Note 9. No compensation expense is recognized for this plan when stock options are granted to employees. Any consideration paid by employees on exercise of stock options is credited to share capital.

Repurchase agreements

Great-West enters into repurchase agreements with third-party broker-dealers in which Great-West sells securities and agrees to repurchase substantially similar securities at a specified date and price. Such agreements are accounted for as investment financings.

Derivative financial instruments

The Corporation and its subsidiaries use derivative products as risk management instruments to hedge or manage asset and liability positions within guidelines which prohibit their use for speculative purposes.

The accounting policies used for derivative financial instruments held for hedging purposes correspond to those of the underlying hedged position.

Foreign currency translation

All assets and liabilities denominated in foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at exchange rates prevailing at the transaction dates for non-monetary items. The Corporation and its subsidiaries follow the current rate method of foreign currency translation for their net investments in self-sustaining foreign operations. All income and expenses are translated at average rates prevailing during the year. Exchange gains and losses are included in earnings except those related to self-sustaining operations and financing related thereto which are deferred in the shareholders' equity section of the balance sheet.

Pension plans and other post-retirement benefits

The Corporation and its subsidiaries participate in funded defined benefit pension plans for certain employees and agents and unfunded supplementary employee retirement plans for certain executive officers. Direct contributions are being made to the funded pension plans and current service costs are being charged to earnings. The actuarially determined cost of the unfunded supplementary employee retirement plans is being charged to earnings over the estimated service life of the officers covered by the plans.

The Corporation and its subsidiaries also provide post-retirement health and life insurance benefits to eligible retirees, the costs of which are recognized as incurred.

Comparative figures

Certain of the 1998 amounts presented for comparative purposes have been reclassified to conform with the presentation adopted in the current year.

Changes in accounting policies

The Canadian Institute of Chartered Accountants ("CICA") has issued Section 3465, *Income Taxes*, which modifies the method of accounting for income taxes. Effective for fiscal years beginning on or after January 1, 2000, the existing deferral method, which focuses on the statement of earnings, will be replaced with the liability method of tax allocation, which focuses on the balance sheet. When the new standard is adopted, future income taxes will represent temporary differences between the tax basis of assets and liabilities and their carrying values for accounting purposes. The liability method requires all future income tax assets and liabilities to be remeasured at the tax rate that is expected to apply when the temporary differences reverse. The impact of adopting the new standard is not expected to have a material effect on the consolidated financial statements of the Corporation.

The CICA has also issued Section 3461, *Employee Future Benefits*, effective for fiscal years beginning on or after January 1, 2000. This Standard requires companies to accrue the costs of post-retirement benefits other than pensions over the expected working lives of employees in a manner similar to pension costs. Under current practice, such costs are charged to income as incurred. The Standard also requires a change in the discount rate used to value liabilities and service costs from an estimated long-term interest rate to a market-based interest rate. The impact of adopting the new standard is not expected to have a material effect on the consolidated financial statements of the Corporation.

Notes to Consolidated Financial Statements

Note 2. Investments

	Carrying value			Estimated market value
	Held by Great-West	Held by the Corporation and other subsidiaries	Total	
	Millions			
	\$	\$	\$	\$
December 31, 1999				
Shares	809	933	1,742	2,126
Bonds	30,397	74	30,471	29,665
Mortgages and other loans	14,104	309	14,413	14,528
Real estate	1,106	14	1,120	1,285
	46,416	1,330	47,746	47,604
December 31, 1998				
Shares	792	775	1,567	1,719
Bonds	30,714	33	30,747	32,100
Mortgages and other loans	15,581	348	15,929	16,373
Real estate	1,072	9	1,081	1,183
	48,159	1,165	49,324	51,375

Term to maturity of bonds and mortgage loans

	1 year or less	1-5 years	Over 5 years	Total	Effective interest rate ranges
	Millions				
	\$	\$	\$	\$	%
Bonds	2,902	8,633	18,936	30,471	2.7-15.0
Mortgage loans	1,943	4,479	2,829	9,251	4.0-13.8
December 31, 1998					
	\$	\$	\$	\$	%
Bonds	2,703	8,235	19,809	30,747	3.4-13.8
Mortgage loans	1,909	5,637	2,779	10,325	4.0-14.5

Other loans, included in mortgages and other loans on the consolidated balance sheet, consist of loans to policyholders amounting to \$5,162 million (1998 – \$5,604 million), and have no fixed term. They have effective interest rates ranging from 5% to 8% (1998 – 5% to 8%).

*Notes to Consolidated Financial Statements***Note 2. Investments (continued)**

Included in investments are the following:

Impaired loans:	Millions	
	1999	1998
	\$	\$
Mortgage loans	80	61
Foreclosed real estate	17	37
Bonds		4
	97	102

Impaired loans include non-accrual loans and foreclosed real estate held for sale. Bond and mortgage investments are reviewed on a loan by loan basis to determine impaired status. Loans are classified as non-accrual when:

- (1) payments are 90 days or more in arrears, except in those cases where, in the opinion of management, there is justification to continue to accrue interest; or
- (2) the Corporation no longer has reasonable assurance of timely collection of the full amount of the principal and interest due; or
- (3) modified/restructured loans are not performing in accordance with the contract.

Where appropriate, provisions are established or write-offs made to adjust the carrying value to the net realizable amount. Wherever possible the fair value of collateral underlying the loans or observable market price is used to establish net realizable value.

Allowance for credit losses:

	Millions	
	1999	1998
	\$	\$
Bonds	21	22
Mortgage loans	165	187
Foreclosed real estate	1	1
	187	210

Changes in the allowance for credit losses:

	Millions	
	1999	1998
	\$	\$
Balance, beginning		
of year	210	197
Provision for credit losses	(17)	13
Recoveries	11	9
Write-offs	(9)	(18)
Other	(8)	9
Balance, end of year	187	210

The allowance for credit losses includes general provisions, established at a level that together with the provision for future credit losses included in actuarial liabilities, reflects Great-West's and Investors Group's estimates of potential future credit losses.

Investments in real estate include an asset value allowance which provides for deterioration of market values associated with real estate held for investment amounting to \$34 million (1998 – \$38 million).

Also included in mortgages and other loans are modified/restructured loans that are performing in accordance with their current terms amounting to \$333 million (1998 – \$409 million).

Notes to Consolidated Financial Statements

Note 3. Investment in affiliate, at equity (a)

	Millions	
	1999	1998
	\$	\$
Carrying value, January 1	1,240	892
Share of earnings	46	46
Share of gains on disposal of long-term investments, net (b)	235	174
Foreign currency translation adjustments	(227)	166
Amortization of goodwill	(3)	(6)
Dividends	(32)	(32)
Other	(8)	
Carrying value, December 31	1,251	1,240
Share of equity, December 31	1,225	1,176

a) Parjointco N.V., 50% held by the Corporation, held a voting interest of 61.1% (1998 – 61.2%) and an equity interest of 54.4% (1998 – 54.7%) in Pargesa Holding S.A.

b) After deduction of goodwill associated with investments sold.

Note 4. Other assets

	Millions	
	1999	1998
	\$	\$
Funds withheld by ceding insurers	2,426	2,174
Goodwill, net of accumulated amortization	1,782	1,749
Dividends and interest receivable	622	772
Premiums in course of collection	496	378
Deferred income taxes	193	216
Other, including fixed assets, net of accumulated depreciation	1,245	1,094
	6,764	6,383

Note 5. Actuarial liabilities

	Millions	
	1999	1998
The composition of actuarial liabilities is as follows:		
	\$	\$
Individual – Life	18,842	18,147
– Annuity	5,451	6,436
– Health	180	178
Group – Life	766	767
– Annuity	8,075	9,106
– Health	2,305	2,272
Reinsurance	4,405	4,212
Property & casualty	12	10
	40,036	41,128

POWER CORPORATION OF CANADA

Notes to Consolidated Financial Statements

Note 6 Long-term debt

	Millions	
	1999	1998
	\$	\$
Power Financial Corporation		
Exchangeable debentures, due April 30, 2014 (i)	167	167
7.65% debentures due January 5, 2006 (ii)	150	150
Investors Group Inc.		
10.65% debentures 1989 Series, due June 15, 1999		100
6.65% debentures 1997 Series, due December 13, 2027	125	125
Great-West Lifeco Inc.		
First mortgages secured by real estate and limited recourse mortgages at interest rates from 6.4% to 11.4% maturing at various dates to 2014	155	145
Other notes payable at interest rates from 4.3% to 9.0%	36	39
9.375% Senior debentures due January 8, 2002, unsecured	100	100
7.25% Subordinated capital income securities redeemable by the Corporation on or after June 30, 2004, due June 30, 2048, unsecured (US\$175 M)	252	
6.875% Senior debentures, repaid in 1999 (US\$7 M)		11
Other		12
	985	849

i) Exchangeable debentures, due April 30, 2014, bear interest at an annual rate equal to the rate represented by the dividend paid on common shares of BCE Inc. divided by \$19.25, plus 1%. The debentures are redeemable prior to maturity at the option of Power Financial at a price equal to the principal amount together with accrued and unpaid interest; the redemption price may be satisfied by the delivery of up to 8,691,122 common shares of BCE Inc. or cash, at the debenture holders' option. The BCE Inc. shares are included in Investments – Shares at a cost of \$18.875 per share (market value per share, 1999 – \$131.15, 1998 – \$57.85).

ii) These debentures were effectively converted into a Swiss franc denominated debt (SF 127,518,490) bearing interest at 4.43% payable semi-annually through a ten-year cross-currency swap expiring in 2006. The carrying value of this swap is included in Other assets.

Interest expense on long-term debt amounted to \$72 million (1998 – \$66 million).

The maximum aggregate amount of principal payments on long-term debt in each of the next five years is as follows: \$14 million in 2000; \$23 million in 2001; \$144 million in 2002; \$38 million in 2003; and \$30 million in 2004.

Note 7. Other liabilities

	Millions	
	1999	1998
	\$	\$
Accounts payable and accrued liabilities	2,153	2,330
Net deferred gains on portfolio investments sold (see below)	1,189	1,422
Income taxes payable	441	231
Commercial paper and other loans	147	305
Repurchase agreements	116	374
Dividends and interest payable	10	26
	4,056	4,688

Notes to Consolidated Financial Statements

Note 7. Other liabilities (continued)

The balance of net deferred gains on portfolio investments sold comprises the following:

	Millions	
	1999	1998
	\$	\$
Shares	425	490
Bonds	705	857
Mortgage loans	47	64
Real estate	12	11
	1,189	1,422

Investment income includes the amortization of net deferred realized gains on portfolio investments and of net unrealized gains on shares and real estate investment of \$234 million (1998 – \$227 million).

Note 8. Non-controlling interests

	Millions	
	1999	1998
	\$	\$
Non-controlling interests include:		
Participating policyholders	1,412	1,341
Preferred shareholders of subsidiaries	1,780	1,769
Common shareholders of subsidiaries	2,229	2,071
	5,421	5,181
Earnings attributable to non-controlling interests include:		
Earnings attributable to participating policyholders	83	66
Dividends to preferred shareholders of subsidiaries	98	102
Earnings of subsidiaries attributable to common shareholders	446	361
	627	529

POWER CORPORATION OF CANADA

Notes to Consolidated Financial Statements

Note 9. Stated capital

	Millions	
	1999	1998
	\$	\$
Non-participating shares		
Cumulative redeemable first preferred shares, 1986 Series (i)		
Authorized – Unlimited number of shares		
Issued – 1,299,878 (1998 – 1,379,878) shares	65	69
Series A First Preferred Shares (ii)		
Authorized – 6,000,000 shares		
Issued – 6,000,000 shares (none in 1998)	150	
	215	69
Participating shares		
Participating preferred shares (iii)		
Authorized – Unlimited number of shares		
Issued – 24,427,386 shares	27	27
Subordinate voting shares (iv) (v) (vi) (vii)		
Authorized – Unlimited number of shares		
Issued – 196,516,872 (1998 – 197,898,622) shares	323	325
	350	352

i) Entitled to a quarterly cumulative dividend of one quarter of 70% of the prime rate of two major Canadian chartered banks. The shares are redeemable by the Corporation at \$50 per share. The Corporation will make all reasonable efforts to purchase, on the open market, 20,000 shares per quarter, such number being cumulative only in the same calendar year. During the calendar year, 80,000 shares (1998 – 80,000) were purchased for cancellation for \$4 million (1998 – \$4 million).

ii) During the course of the year the Corporation issued 6,000,000 5.60% Non-Cumulative First Preferred Shares, Series A for cash proceeds of \$150 million. The 5.60% Non-Cumulative First Preferred Shares, Series A are entitled to fixed non-cumulative preferential cash dividends at a rate equal to \$1.40 per share per annum. On and after June 11, 2004 the Corporation may redeem for cash the Series A First Preferred Shares in whole or in part, at the Corporation's option, at \$26.00 per share if redeemed on or prior to June 11, 2005, \$25.75 if redeemed thereafter and on or prior to June 11, 2006, \$25.50 if redeemed thereafter and on or prior to June 11, 2007, \$25.25 if redeemed thereafter and on or prior to June 11, 2008 and \$25.00 if redeemed thereafter, in each case together with all declared and unpaid dividends to the date of redemption.

iii) Entitled to ten votes per share; entitled to a non-cumulative dividend of 1%¢ per share per annum before dividends on the subordinate voting shares and having the right to participate, share and share alike, with the holders of the subordinate voting shares in any dividends in any year after payment of a dividend of 1%¢ per share on the subordinate voting shares.

iv) Entitled to one vote per share.

v) During the year 1,509,100 subordinate voting shares were purchased for cancellation pursuant to the Corporation's normal course issuer bid for a total expenditure of \$35 million. The excess of the consideration paid over the stated value of the shares has been charged to retained earnings in the amount of \$33 million.

vi) The average number of participating shares outstanding during the year was 222,059,572 (1998 – 221,589,410).

vii) Under the Corporation's Executive Stock Option Plan established on March 8, 1985, 10,172,830 additional subordinate voting shares are reserved for issuance. The plan requires that the exercise price under the option must not be less than the market value of a share on the date of the grant of the option. Options have a term of ten years and may be exercised as follows: 50% one year after the grant date, 75% two years after the grant date and 100% three years after the grant date.

Notes to Consolidated Financial Statements

Note 9. **Stated capital** (continued)

A summary of the status of the Corporation's stock option plan as at December 31, 1999 and 1998, and changes during the years ended on those dates is as follows:

	1999		1998	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
		\$		\$
Outstanding at beginning of year	7,539,180	13.73	7,970,400	9.46
Granted	74,000	25.73	1,626,000	27.43
Exercised	(127,350)	10.13	(2,057,220)	8.02
Outstanding at end of year	7,485,830	13.91	7,539,180	13.73
Options exercisable at end of year	6,580,080	12.10	5,733,180	9.87

The following table summarizes information about stock options outstanding at December 31, 1999:

Range of exercise prices	Options outstanding			Options exercisable	
	Options	Weighted-average remaining life	Weighted-average exercise price	Options	Weighted-average exercise price
			\$		\$
7.28 – 12.00	5,440,830	4.7	9.69	5,440,830	9.69
12.00 – 16.00	345,000	6.9	14.18	326,250	14.19
24.00 – 27.43	1,700,000	8.4	27.36	813,000	27.43
	7,485,830	5.7	13.91	6,580,080	12.10

Note 10. **Pension plans and other post-retirement benefits**

The Corporation and its subsidiaries maintain funded defined benefit plans which cover certain employees and agents. As at December 31, 1999, the present value of the accrued pension obligations was \$1,594 million (1998 – \$1,542 million) and the approximate present value of the pension fund assets available to meet these obligations

was \$1,943 million (1998 – \$1,828 million). The actuarially determined obligations of the unfunded supplementary employee retirement plans as at December 31, 1999, were \$56 million (1998 – \$50 million) and the accrued cost was \$56 million (1998 – \$48 million).

Note 11. **Other income, net**

	Millions	
	1999	1998
	\$	\$
Share of Pargesa's gains on disposal of long-term investments, net	235	174
Gain resulting from dilution of the Corporation's interest in Lifeco	21	
Other	(49)	(16)
	207	158

POWER CORPORATION OF CANADA

Notes to Consolidated Financial Statements

Note 12. Income taxes

	1999	1998
Combined basic Canadian federal and provincial tax rate	44.6%	44.7%
Dividend income	(1.8)	(2.2)
Equity in net earnings of affiliate	(7.0)	(7.1)
Lower effective tax rates on income not subject to tax in Canada	(4.1)	(5.1)
Decrease in income taxes resulting from prior years' adjustments	(1.9)	(0.5)
Miscellaneous including Large Corporations Tax	2.2	4.3
	32.0%	34.1%
Millions		
Components of income taxes provided are:	\$	\$
Current income taxes	601	380
Deferred income taxes	(54)	112
	547	492

Note 13. Fair value of financial instruments and risk management

The following table presents the fair value of the Corporation's financial instruments using the valuation methods and assumptions described below. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and best evidenced by a quoted market price, if one exists. Fair values are

management's estimates and are generally calculated using market conditions at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and matters of significant judgment.

	Millions			
	1999		1998	
	Book value	Fair value	Book value	Fair value
Assets	\$	\$	\$	\$
Cash and cash equivalents	1,891	1,891	1,978	1,978
Investments	46,626	46,319	48,243	50,192
Other financial assets	3,620	3,626	3,371	3,380
Total financial assets	52,137	51,836	53,592	55,550
Liabilities	\$	\$	\$	\$
Policy liabilities	43,433	43,447	44,690	46,666
Deposits and certificates	307	307	372	383
Long-term debt	985	939	849	896
Other financial liabilities	2,315	2,315	2,928	2,928
Total financial liabilities	47,040	47,008	48,839	50,873

Note 13. **Fair value of financial instruments and risk management** (continued)

Fair value is determined using the following methods and assumptions:

The fair value of temporary financial instruments is assumed to be equal to book value due to their short-term maturities. These include cash and cash equivalents, dividends and interest receivable, and premiums in the course of collection.

Shares and bonds are valued at quoted market prices, when available. When a quoted market price is not readily available, alternative valuation methods may be used. Mortgage loans are determined by discounting the expected future cash flows at market interest rates for loans with similar credit risk.

The fair value of policy liabilities is based on the fair value of the assets of Great-West supporting them.

Deposit liabilities are determined by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.

Long-term debt is determined by reference to current market prices for debt with similar terms and risks.

Interest rate risk

Interest rate risk is managed by effectively matching portfolio investments with liability characteristics. Hedging instruments are employed where necessary when there is a lack of suitable permanent investments to minimize loss exposure to interest rate changes. For Great-West, the valuation interest rate assumes a declining investment yield in order to incorporate reinvestment risk in the actuarial valuation.

Credit risk

Credit risk is managed through an emphasis of quality in the investment portfolio and by maintenance of issuer, industry and geographic diversification standards. For Great-West, projected investment returns are reduced to provide for future credit losses on currently held assets.

Reinsurance risk of Great-West

Large amount claim risk for life and health insurance and property and casualty insurance is controlled by having reinsurance in place for claims over specified maximum benefit amounts (which vary by line of business) and by having consolidated catastrophic accident coverage in place covering up to \$200 million of claims from a single event.

Reinsurance contracts do not relieve Great-West from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to Great-West. Consequently, allowances are established for amounts deemed uncollectible. Great-West evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

As a result of reinsurance, actuarial liabilities have been reduced by \$678 million (1998 – \$523 million).

Foreign exchange risk

If the assets backing actuarial liabilities and other activities are not matched by currency, changes in foreign exchange rates can expose the Corporation and its subsidiaries to the risk of foreign exchange losses not offset by liability decreases.

Foreign exchange risk is managed whenever possible by matching assets with related liabilities by currency and through the use of derivative instruments such as forward contracts and cross-currency swaps. These financial instruments allow the Corporation and its subsidiaries to modify an asset position to more closely match actual or committed liability currency.

The Corporation itself may have an exposure to foreign currency fluctuations on its foreign currency denominated cash and cash equivalents. Such foreign currency fluctuations and changes in the average yield would continue to affect the Corporation's income from cash and cash equivalents.

Liquidity risk

Liquidity risk is the risk that the Corporation will have difficulty in raising funds to meet commitments. The liquidity needs of the Corporation and its subsidiaries are closely managed through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between liability requirements and the yield of assets. Over 60% of policy liabilities are non-cashable prior to maturity, or subject to market value adjustments or withdrawal penalties.

Sensitivity of actuarial assumptions

The actuarial assumption most susceptible to change in the short term is future investment returns. Based on the projected cash flows of Great-West as of December 31, 1999, the approximate after-tax impact of an immediate 1% increase in the general level of interest rates applied to actuarial liabilities and associated assets would be to increase the fair value of Great-West's surplus by \$5 million. The impact of an immediate 1% decrease would be to decrease the fair value of its surplus by \$28 million.

POWER CORPORATION OF CANADA

Notes to Consolidated Financial Statements

Note 14 Off-balance sheet financial instruments

The Corporation and its subsidiaries, in the normal course of managing exposure to fluctuations in interest rates, foreign exchange rates and market risks, are parties to various derivative financial

instruments, the notional amount of which is not recorded on the balance sheet. The following table summarizes the portfolio of off-balance sheet financial instruments at December 31:

Millions						
1999	Notional Amount			Total	Maximum credit risk	Total estimated fair value
	1 year or less	1-5 years	Over 5 years			
	\$	\$	\$	\$	\$	\$
Interest rate contracts	603	2,353	227	3,183	15	(8)
Foreign currency contracts	222	919	576	1,717	91	57
Equity index contracts	101	157	95	353	108	84
Share options purchased	63	122		185	25	25
Share options written	76	145		221		(22)
	1,065	3,696	898	5,659	239	136

Millions						
1998						
	\$	\$	\$			
Interest rate contracts	460	2,030	41	2,531	20	18
Foreign currency contracts	226	1,178	484	1,888	35	(72)
Equity index contracts	233	79	105	417	70	52
Share options purchased	33	137		170	6	6
Share options written	34	149		183		(13)
	986	3,573	630	5,189	131	(9)

The amount subject to credit risk is limited to the current market value of the instruments which are in a gain position. The maximum credit risk is presented without giving effect to any netting agreements or collateral arrangements and does not reflect actual or expected losses. The total estimated fair value represents the total amount that the Corporation and its subsidiaries would receive (or pay) to terminate all agreements at year-end. However, this does not represent a

gain or loss to the Corporation as the hedged position is matched to certain of the Corporation's assets and liabilities. All counterparties are highly rated financial institutions on a diversified basis.

The fair value of derivative financial instruments are based on quoted market prices, when available, prevailing market rates for instruments with similar characteristics and maturities, or net present value analysis.

Note 15. Contingent liabilities

The Corporation's subsidiaries, are subject to individual legal actions arising in the normal course of business. It is not expected that these legal actions will have a material adverse effect on the consolidated financial position of the Corporation.

In addition, at December 31, 1999:

– there are three proposed class actions against Great-West (one in each of British Columbia, Ontario and Quebec) and five proposed class actions against London Life (three in Ontario, and one in each of British Columbia and Quebec) related to the availability of policyholder dividends to pay future premiums. The courts have not yet decided whether any of these actions is appropriate for certification as a class action.

– a proposed class proceeding has been commenced in Ontario against Lifeco, Great-West, London Insurance Group and London Life regarding the participation of the London Life Participating Policyholder account in the financing of the acquisition of London Insurance Group in 1997 by Great-West. The court has not yet decided whether the proceeding is appropriate for class certification.

These actions are in their early stages and it is difficult to predict their outcome with certainty. However, based on information presently known, it is not expected that these actions will have a material adverse effect on the consolidated financial position of the Corporation.

Notes to Consolidated Financial Statements

Note 16. Segmented information

The following strategic business units constitute the Corporation's reportable operating segments:

Great-West Lifeco Inc. offers, through Great-West and LIG in Canada and GWL&A in the United States, a wide range of life insurance, health insurance, retirement and investment products, as well as reinsurance and specialty general insurance products to individuals, businesses and other private and public organizations.

Investors Group Inc. offers a comprehensive package of financial planning services and investment products to its client base. Investors Group derives its revenues from a range of sources, but primarily from management fees, which are charged to its mutual funds for investment advisory and management services. Investors Group also earns revenue from fees charged to its mutual funds for administrative services.

Parjointco N.V., holds the Corporation's interest in Pargesa Holding S.A., a holding company which holds diversified interests in a limited number of major communications, specialty minerals and utility energy, companies based in Europe.

Other is made up of corporate activities of the Corporation, Power Financial Corporation, Gesca Ltée and Power Broadcasting Inc. Other also includes consolidated adjustments.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. The Corporation evaluates the performance based on stand-alone operating segment net earnings adjusted, for example, for specific items arising from the consolidation process. Revenues and assets are attributed to geographic areas based on the point of origin of revenues and the location of assets.

Information on profit measure

	Millions				
December 31, 1999	Lifeco	Investors	Parjointco	Other	Total
Revenues	\$	\$	\$	\$	\$
Premium income	8,526				8,526
Net investment income	3,580	121		94	3,795
Fees and media income	1,222	928		268	2,418
	13,328	1,049		362	14,739
Expenses					
Insurance claims	9,936				9,936
Commissions, other operating expenses	2,334	601		323	3,258
Interest expense		34		57	91
	12,270	635		380	13,285
	1,058	414		(18)	1,454
Share of earnings of affiliate			46		46
Other income – net			235	(28)	207
Earnings before income taxes and non-controlling interest	1,058	414	281	(46)	1,707
Income taxes	366	178		3	547
Non-controlling interests	415	125	91	(4)	627
Contribution to consolidated net earnings	277	111	190	(45)	533

Information on asset measure

	Millions				
December 31, 1999	Lifeco	Investors	Parjointco	Other	Total
	\$	\$	\$	\$	\$
Total assets	53,256	1,812	1,251	1,333	57,652
Assets under administration	33,728	40,650			74,378

POWER CORPORATION OF CANADA

Notes to Consolidated Financial Statements

Note 16. Segmented information (continued)

Information on profit measure		Millions			
December 31, 1998	Lifeco	Investors	Parjointco	Other	Total
Revenues	\$	\$	\$	\$	\$
Premium income	9,237				9,237
Net investment income	3,516	119		63	3,698
Fees and media income	1,003	855		262	2,120
	13,756	974		325	15,055
Expenses					
Insurance claims	10,680				10,680
Commissions, other operating expenses	2,134	605		310	3,049
Interest expense		45		44	89
	12,814	650		354	13,818
	942	324		(29)	1,237
Share of earnings of affiliate			46		46
Other income – net			174	(16)	158
Earnings before income taxes and non-controlling interest	942	324	220	(45)	1,441
Income taxes	361	136		(5)	492
Non-controlling interests	354	99	71	5	529
Contribution to consolidated net earnings	227	89	149	(45)	420

Information on asset measure		Millions			
December 31, 1998	Lifeco	Investors	Parjointco	Other	Total
	\$	\$	\$	\$	\$
Total assets	54,725	1,799	1,240	1,161	58,925
Assets under administration	28,394	36,064			64,458

Geographic information		Millions		
December 31, 1999	Canada	United States	Europe	Total
	\$	\$	\$	\$
Revenues	9,648	5,091		14,739
Investment in affiliate, at equity			1,251	1,251
Goodwill	1,782			1,782
Total assets	35,422	20,979	1,251	57,652
Assets under administration	56,380	17,998		74,378
December 31, 1998				
Revenues	10,044	5,011		15,055
Investment in affiliate, at equity			1,240	1,240
Goodwill	1,749			1,749
Total assets	35,438	22,247	1,240	58,925
Assets under administration	49,023	15,435		64,458

Note 17. Subsequent events

- (a) In October 1999, GWL&A entered into a purchase and sale agreement with Allmerica Financial Corporation (Allmerica) to acquire, via assumption reinsurance, Allmerica's group life and health insurance business on March 1, 2000, GWL&A anticipates the purchase price to be approximately \$50 million of which \$36 million was due on March 1, 2000 with the remaining amount due on March 1, 2001.
- (b) Effective January 1, 2000, GWL&A will coinsure the majority of General American Life Insurance Company's (General American) group life and health insurance business. The agreement is expected to convert to an assumption reinsurance agreement by January 1, 2001, pending regulatory approval. GWL&A will assume approximately \$216 million of policy reserves and miscellaneous liabilities in exchange for an equal amount of cash and other assets from General American.
-

Auditors' Report

We have audited the consolidated balance sheets of Power Corporation of Canada as at December 31, 1999 and 1998 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit

includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles in Canada.

Montréal, Québec
March 31, 2000

Deloitte & Touche LLP

POWER CORPORATION OF CANADA

Five-Year Financial Statistics December 31

	Millions				
	1999	1998	1997	1996	1995
	\$	\$	\$	\$	\$
Consolidated balance sheets					
Cash and cash equivalents	1,891	1,978	1,914	1,322	1,134
Total assets	57,652	58,925	55,849	32,133	31,806
Shareholders' equity	3,450	3,145	2,640	2,463	2,630
Total assets and assets under administration	132,030	123,383	111,490	70,386	61,333
Consolidated statements of earnings					
Revenues					
Premium income	8,526	9,237	4,587	3,532	3,783
Investment income	3,795	3,698	2,361	2,213	2,268
Fees and media income	2,418	2,120	1,678	1,347	1,189
	14,739	15,055	8,626	7,092	7,240
Expenses					
Paid or credited to policyholders	9,936	10,680	5,723	4,614	4,885
Expenses	3,258	3,049	2,077	1,739	1,612
Interest	91	89	76	93	117
	13,285	13,818	7,876	6,446	6,614
Share of earnings of affiliates	46	46	43	53	37
Other income – net	207	158	(35)	94	6
Income taxes	547	492	122	242	226
Non-controlling interests	627	529	305	259	229
Net earnings	533	420	331	292	214
Per participating share			Dollars		
Operating earnings	1.76	1.42	1.15	0.95	0.81
Net earnings	2.36	1.88	1.50	1.22	0.83
Dividends	0.49	0.44	0.40	0.39	0.35
Book value at year-end	14.64	13.83	11.65	10.86	10.07
Market price (Subordinate Voting Shares)					
High	35.40	37.50	26.00	14.50	11.44
Low	21.70	21.75	13.40	9.57	8.63
Year-end	24.75	33.20	25.60	13.75	10.32

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and Chief Financial Officer

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Office of the Chairman
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Vice-President

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Jeannine Robitaille

Assistant Secretary

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Deputy Chairman of the Corporation

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Managing Director, Dassault Investissements

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Counsel, Torys

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and Deputy Chairman, Power Financial Corporation

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Chairman and Co-Chief Executive Officer of the Corporation
and Chairman, Power Financial Corporation

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Chairman of the Supervisory Board, Paribas

Robert Gratton

President and Chief Executive Officer,
Power Financial Corporation

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(2) Member of the Audit Committee

(3) Member of the Compensation Committee

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Honorary Governor of the Bank of France and
Advisor, Paribas

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P. Michael Pitfield, P.C., Q.C. ⁽¹⁾

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Vice-Chairman and Chief Financial Officer
of the Corporation and Executive Vice-President and
Chief Financial Officer, Power Financial Corporation

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Executive Vice-President, Office of the Chairman of the
Executive Committee of the Corporation

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President and Vice-Chancellor,
University of Manitoba

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Chairman of the International Advisory Council
Canada

The Honourable William G. Davis, P.C., C.C., Q.C.

Counsel
Torys
Vice-Chairman of the International Advisory Council
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President and Chief Executive Officer
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United States of America

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Home Civil Service
Great Britain

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Chairman of the Executive Committee
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United States of America

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United States of America

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The Right Honourable Donald F. Mazankowski, P.C.

Company Director
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Emerging Markets Partnership
United States of America

Helmut Schmidt

Former Chancellor of the Republic of Germany
Publisher, Die Zeit
Germany

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Compagnie Benelux Paribas "COBEPA" S.A.
Belgium

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Corporate Information

Additional copies of this annual report as well as copies of the annual reports of Power Financial Corporation, Great-West Lifeco Inc., The Great-West Life Assurance Company, London Insurance Group Inc., London Life Insurance Company, Investors Group Inc. and Pargesa Holding S.A. are available from:

The Secretary
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Montréal, Québec
Canada H2Y 2J3
or
Suite 2600
Richardson Building
1 Lombard Place
Winnipeg, Manitoba
Canada R3B 0X5

Shareholders with questions relating to the payment of dividends, change of address and share certificates should contact the Transfer Agent.

Website

Visit our website at: www.powercorp.ca or www.powercorp.com

Stock Listings

Shares of Power Corporation of Canada are listed on the Toronto Stock Exchange, under the following listings:

Subordinate Voting Shares: POW

Participating Preferred Shares: POW. PR.E

First Preferred Shares 1986 Series: POW. PR.F

First Preferred Shares, Series A: POW. PR.A



Power Corporation has been designated "A Caring Company" by Imagine, a national program to promote corporate and public giving, volunteering and support in the community.



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